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ROYAL COMM. ON COAL

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ROYAL COMMISSION ON COAL

Ottawa, Ont., October 15th, 1945.

## VOLUME LIII

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Ottawa, Ont., October 15th, 1945.

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ROYAL COMMISSION ON COAL

Ottawa, Ontario.

Monday, October 15th, 1945.

The Commission met in the Court Room of the Board of Transport Commissioners, at Ottawa, Ont., on Monday, the 15th day of October, 1945, at 10:00 o'clock A.M.

## PRESENT:

The Honorable Mr. Justice W. F. Carroll, Chairman.

The Honorable Mr. Justice C. C. McLaurin, Commissioner.

Angus J. Morrison, Esquire, Commissioner.

J. J. Frawley, K.C., Commission Counsel.

Robert D. Howland, Secretary.

BY MR. FRAWLEY - With your indulgence Mr. Chairman, Mr. Glover before he left asked me if I would be good enough to put on the record a telegram containing the directive of Solid Fuels last week, which was given as a result of the coal strike in the United States, directing the limited manner in which coal was to be shipped from the United States mines, so I think I will just put it on file, as Exhibit No. 247. It reads as follows:

"H. A. Glover,  
Care Alan Rogers,  
Chateau Laurier,  
Ottawa, Ont.

Huntington WVIR 3 1242P

Following order issued Solid Fuels last night  
we are making effective with today's production.

DIRECTION TO COAL PRODUCERS IN DISTRICTS NOS.

2, 3, 6 and 8. Pursuant to effect Order No. 9332 SPAN regulations No. 1, and effective forthwith, you are prohibited until further notice from supplying or shipping by rail or water from any mine, preparation plant, or railroad scales bituminous coal produced in Districts Nos. 2, 3, 6 and 8 to any person or for any use except the following:

- (1) Hospital
- (2) Public Utilities (as defined in Regulation No. 27)
- (3) Railroads
- (4) Commercial Dock Operators in Great Lakes, Tidewater or river.
- (5) Vessel or Bunker fuel and Colliery fuel.

You are directed to hold on track maximum number No- Bills. If compliance with this direction tends to curtail productions or cause undue hardship, area Distribution Manager authorized to give consignments by telephone and confirm in writing C. J. Potter, Deputy Solid Fuels Administrator for War Solid Fuels



been dealt with by Coal Control, Coal Administration and the Emergency Coal Production Board since their inception are well documented in the form of monthly and quarterly reports to the Minister or to the Chairman of the Wartime Prices and Trade Board, copies of which are in the files.

The main purpose of this brief is to present to the Commission the overall coal picture of the country in outline with supplementary details as it has appeared to the officials of this Control.

On the basis of the picture as presented, the attention of the Commission will be invited to certain factors that would appear to need consideration in the national interest. As this Control may be said to represent the interest of the general public of the country in the broader sense, it is believed that it is my responsibility to present this type of general review with stress laid upon the points wherein the public welfare is affected.

As a summing-up of the presentation, certain observations will be placed before the Commission as representing the considered and developed opinion of the Controller and of the officers based upon the information and experience gained both before and through the period of this Control.

## THE COAL INDUSTRY OF CANADA

### (1) GENERAL REVIEW OF CANADIAN COAL PICTURE

#### 1. POSITION OF COAL IN THE NATIONAL ECONOMY

##### (a) Importance in Industrial Civilization

Coal may be said to be the forgotten factor in our modern industrial civilization. With the possible exception of one other basic commodity--iron--coal plays a bigger part in the operation and maintenance of our present structure of civilization than any other and is even an essential constituent, in the form of coke, in the production and working of iron and steel.



This fundamental key position of coal has been overlooked to some extent because it has usually been readily available and it has only been in time of war, when the demands for steel and power multiplied, that there has been any question of shortage. There is no need here to catalogue the many necessary uses of coal, ranging from domestic heating to railway operation, from iron and steel production to steam raising for power and process requirements. Incidental to the main uses are the spectacular and necessary developments in the production of dyes, drugs, synthetic fertilizers and all the other manifold chemical substances that, stemming largely from coal tar, have so altered the living conditions of all civilized peoples.

All these are matters of record and of common knowledge even if they are usually dormant in the memory of the ordinary man.

It may be accepted as an axiom that coal is and will remain for ages to come the basic foundation of the structure of civilized life and without coal our present advanced stage of civilization is impossible.

(b) A commodity in post-war international trade

In any review of economic history the fundamental nature of coal is readily apparent. The close proximity of coal and iron ore has been the mainspring of the development of every large nation since the industrial revolution in England in the eighteenth century. England, Germany, Belgium, France, the United States, and now Russia all show the same characteristic trends. Due to national boundaries it has been necessary to develop, in some cases, the interchange of iron ore or other commodities for coal and coal has been a most important commodity in international trade. The large coal producing nations must maintain the development and the operation of their mines at that level that will ensure adequate supply to their consumers and still provide a reserve of production to take care of emergencies if and when they occur. This means that these same nations have,



in ordinary times, considerable quantities of coal available for export over and above their own requirements and can sell this coal at reduced prices in view of the fact that it is essentially developed as protection to their own position. Other large producing nations ship coal as one of their basic exports and these shipments are part of the fundamental economic structure of such countries. Between these two factors, in normal times, coal has been plentiful and has moved freely in international trade. There have been changes in the sources of supply due to comparative costs but, generally speaking, this commodity has been readily available at low pithead prices and will probably continue to be so for years yet to come.

MR. BRUNNING retires from stand and MR. C. L. O'BRIEN continues reading of Exhibit 249:

This ready access to the coal supply of other nations is a very large factor in the Canadian picture. It is practically impossible for Canada to supply coal from Canadian mines to the present chief centres of consumption in the country at competitive prices unless assistance is granted in the form of tariffs, subventions, etc. If our consuming industries sell their products in this country behind a tariff wall, the relation between the cost of coal and the selling price of the product can be adjusted by some form of Government action. If, however, the industrial products must be sold in the open competitive world market, the cost of coal to the Canadian producer must bear some relation to the cost enjoyed by his competitor.

In the post-war world it is probable that coal as a commodity will be a large factor in foreign trade. If Canada is to play any substantial part in foreign trade, it will be necessary that some study be given to the specific interchange of commodities and manufactures on which this foreign trade will be based. In any such study coal, as a commodity, will play a most important role and it is not practically possible to



consider the Canadian coal picture solely on the basis of Canadian production. If we must export commodities to England, to the United States, to Russia, we must be prepared to accept other commodities in exchange and, inasmuch as coal is one of our present deficiencies, while surplus to the nations noted, the possible import of coal must receive the fullest consideration not from the restricted viewpoint of Canadian coal production but as a question of the overall national welfare.

## 2. INVENTORY OF CANADIAN COAL POSITION

In order to approach this question it is necessary to determine the national requirements of coal by broad areas and to take inventory of our Canadian coal resources. With this fundamental data and with the general scheme developed by Government of prospective foreign trade, policies may be developed that would serve all interests to the best advantage. Records are available on the consumption of coal by areas, by types of consumers and by varieties of coals. The present data can be used as a basis for building up a picture of the future requirements provided that indication can be given by competent authority of the long term trends in general trade.

On the other hand, there is at present no overall inventory of our coal resources that can be considered acceptable as a sound basis for estimating future potential production. The last overall survey of Canadian coal resources was made for the International Geological Congress in 1913 and this survey was frankly based upon both geological considerations and upon other assumptions that, while necessarily used at the time because of lack of other information, have since proven unwarranted. There are surveys of some individual areas available showing the amount of accessible coal and some of the large producers have good knowledge of their own particular sections. There is a need, however, for an overall inventory of our coal resources showing in broad terms the amounts and qualities of coal accessible to development and production at reasonable costs



by the use of modern mining methods.

This is a matter that will, undoubtedly, receive the fullest consideration by the Commission and would not appear to need further development here.

### 3. SKETCH OF CANADIAN COAL POSITION OVER THE PAST 100 YEARS

The position of coal in our national economy has, over many decades, shown largely the same trends and has been subject to the same considerations as most other commodities. The chief cause of difference has lain in the geographical positions of our coal deposits. Because of this fact it is not possible to give a coherent picture of the overall change and such a picture can be more profitably developed by considering the separate areas.

#### (a) Maritime Provinces

Coal was discovered in New Brunswick and in Nova Scotia in early days and the production of coal, particularly in Cape Breton, grew gradually to be one of the important factors in Maritime trade. Large quantities were exported to the Eastern Seaboard of the United States. Coal at that time entered the United States under favourable tariff conditions but the abrogation by the United States Government of the Reciprocity Treaty in 1867 almost ruined the provincial coal industry. The building later of the high capacity coal-carrying railroads between the West Virginia fields and the seaboard placed high grade United States coals in the United States Atlantic ports at prices which could not be met by Maritime coals and was the final blow to what had been one of the chief bases of Maritime economy.

With Confederation and the building of the Intercolonial Railway the trend of trade swung West and by slow degrees the Maritime coal producers developed new markets in the growing industries of the St. Lawrence valley, this coal moving chiefly by water in the months when the St. Lawrence was open for navigation. Because the water movement was seasonal, the cost was increased to some extent both because of the consequent seasonal



fluctuations of the colliery operations and because of the cost of banking coal in the winters for summer shipment. Notwithstanding these handicaps the trade grew and, at the outbreak of war in 1914, was in a good position. In order to meet competition by reducing costs, the coal was carried in steamers adapted to such a trade by speed and by unloading dispatch and the general performance was reasonably efficient. The loss of this fleet of vessels, due to the exigencies of war, was a heavy blow and whereas in 1914 some thirty-nine per cent of the total Nova Scotia output was shipped to Quebec, in 1918 this had fallen to only three per cent. By various means this lost ground was recovered in the years between the wars and the coal again moved freely to the St. Lawrence depots. The impact of the present war has largely duplicated the results of the previous struggle and Maritime coal has become less and less available to the Central Canadian consumer.

(b) Central Provinces

As there are no coal deposits in Central Canada, it was necessary to develop some other source of supply. This, however, was not a problem as all consuming centres in this area were within easy distance of the Pennsylvania deposits. As the United States picture developed with the increasing movement of West Virginia and other southern coals to the consuming and shipping centres on the Great Lakes, these high grade coals also became available to the Ontario industries. United States anthracite from the Scranton area was readily accessible for domestic heating and the industrial or railway consumer had an almost unlimited choice of bituminous coals. The imports of coal, therefore, grew with the increase in manufacturing and consumption. In the St. Lawrence Valley, United States bituminous coal met the competitive product from Nova Scotia around the area of Montreal and the latter held its position because of the lower cost of efficient water transportation over rail haul. The heavy war demands produced shortages in both anthra-



cite and bituminous coals in 1917 and 1918 and drastic steps had to be taken by the Controller to distribute supplies fairly. Following upon and arising out of this experience efforts were made to secure alternative sources of supply; United States anthracite was replaced in part by coke and by Welsh and other foreign anthracites; Western bituminous coal moved into Northern Ontario under subvention and Nova Scotia coal was assisted to move west from Montreal. These movements, at the beginning of the war, amounted to about ten per cent of the total coal requirements of this area. Here again the present war has forced a reversal and the Central Provinces are presently almost entirely dependent on United States coal.

(c) Western Canada

Western Canadian coals fall into two classes--domestic and bituminous or steam coals. The domestic coals range from the lignites of Saskatchewan to the sub-bituminous coals of the Foothills area. These coals were used by the early settlers and the output and consumption grew slowly with the increase in population. In the earlier years these coals were used in Alberta and Saskatchewan with very little moving on to Manitoba. However, when the movement of United States anthracite west of the Head of the Lakes was banned in the last war, the consumers in Winnipeg and in Manitoba were forced to use these Canadian coals. A thorough and well designed publicity campaign by the Alberta Government and the producers educated the public in the proper burning methods and when the consumers realized that they were getting more heating comfort for less money than they had received with imported coal the market was retained for Canadian coal.

The bituminous coals from the Mountain mines have found their chief market in the railways and their output increased with the extension of the lines over the country. There was also a considerable export trade to the United States for railway use which was lost in 1929-1930 because of electrification



and oil competition. The depression in the early nineteen thirties led to a drop in railway demands and a consequent decrease in output. By granting assistance the railways were induced to use Canadian coal farther and farther East and thus a fair market was provided.

Generally speaking, the outputs of Western coal have varied with the demands and have been more than adequate for the area needs.

The Vancouver Island coal fields have had a different history and in many ways their story parallels that of Cape Breton on the other side of the continent. These mines were discovered and worked early in the nineteenth century. The rapid growth of California and the increased coastal traffic provided a ready market and Nanaimo coal sold readily all along the Pacific seaboard. The discovery of oil, however, produced a change and not only ousted these coals from the San Francisco market but the cheap oil invaded British Columbia and cut severely into the home market for coal. A large and profitable bunker business was also greatly reduced by the inroads of oil competition.

#### 4. GENERAL OUTLINE OF PROBLEMS

From the foregoing, it is evident that there is no one single problem but rather a multiplicity of separate and distinct questions.

##### (a) Production

Canadian coal production has always been limited by available markets and the only exceptions have been in times of war when the existing mines could not expand to meet increased demands although coal was available in the ground. These existing mines, under normal conditions, have suffered from overproduction in relation to the markets, from competition with imported coals also surplus to requirements in their home market and from the transportation handicaps inherent in our



national geography. As in Western Canada particularly, coal is relatively abundant, it has been common practice to develop the easily won deposits with consequent over-production and fierce competition. The net result has been that the industry has been in a depressed condition for years as may be shown by the records of costs, profits and losses, which are a matter of record with the Dominion Fuel Board.

With the exception of the mines where storage has been found necessary because of the water transportation, the producers have not developed any system of providing a cushion for meeting market demands by stocking their output but have produced only to meet the day-to-day demands.

The markets available on an ordinary commercial price basis have not been sufficient to maintain the optimum rate of production and it has been necessary for Government to provide financial assistance to widen these markets.

(b) Imports

While the production end of the coal industry has been depressed, the consumer has had the advantage of securing his supplies at low prices. As the same conditions of over-production, competition and lowered prices were also evident in the United States fields, the consumer in Central Canada of imported coal has had no price inducement to supplant his United States supply with Canadian coal.

The consumers of coal in Central Canada have not, in actual practice, been able to secure more than a small proportion of their total requirements from Canadian sources as the mines were not developed to the necessary scale of production nor were the transportation facilities able to carry a much greater load.

Many of these consumers have installed plants designed to burn specific coals with definite properties and cannot use other types without serious loss of efficiency. The coke and gas industry, for example, usually demands either a blend of high



grade coking coals containing both low to medium volatile coal and high volatile gas coal in the case of the by-product ovens or entirely good grade high volatile gas coal in the case of gas plants. The supply of high grade coking coals in Eastern Canada is limited and, while there are large tonnages of coking coals in Western Canada, they are practically all of the low to medium volatile type with the only source of high volatile coal on Vancouver Island. The transportation of the tonnages required of even the low to medium volatile coals from the Mountain area to Central Canada is a considerable problem. The use of Maritime coals in many of the existing installations in other industries is not efficient because of the high sulphur content and the low fusion point of the ash. The point at issue is that much of the Central Canadian requirement is for special kinds and varieties of coal that are not available from present Canadian sources.

It is also instructive to consider broadly the transportation factors entering into the Central Canadian picture. Over the years the United States coal trade has established efficient channels of communication carrying the coal from the mines to large shipping piers on Lake Erie and Lake Ontario. Special rail rates are in effect on this coal moving to the piers for furtherance by water. With this efficient and low cost movement in being, it has been easy and economic for the Canadian consumer and wholesaler to send vessels to the United States loading ports for coal and by far the greater proportion of our imports of bituminous coal come in by water. Incident to this movement has been the construction and operation of large coal docks at convenient Canadian ports with modern handling equipment where the coal is unloaded and either forwarded for consumption or held in storage for later furtherance. This whole system is integrated with the source of supply and is most efficient. A certain amount of coal also moves by rail, being made up chiefly of bituminous coal for the railways and anthra-



cite for the hundreds of retail dealers scattered through the area. Railway coal moves by rail both because of the possibility of using their own cars when they would otherwise be idle and of the practice of applying special or so-called O.C.S. (on company service) rates to coal hauled for their own consumption.

(c) Domestic Requirements

Domestic or house heating in Canada required some 14,000,000 tons of coal and coke in 1944, of which some 5,000,000 tons were anthracite and coke and the remaining 9,000,000 tons bituminous and Canadian domestic coal. This was an increase of some 3,000,000 tons from the 1939 figure, of which the anthracite and coke increased 500,000 tons and the other coals by 2,500,000 tons. The proportion of the total supply of domestic coal consumed by the various areas are roughly nine per cent in the Maritime Provinces, sixty-five per cent in Ontario and Quebec and twenty-six per cent in the Western area. Approximately ninety-five per cent of the anthracite and coke is consumed in Ontario and Quebec. There has been only one significant change in the proportional distribution during the present war and that was the increase in domestic use in the Western area due to the changes from wood and oil to coal on the Pacific coast.

It is possible that the post-war demand will fall off to a total figure of some 12,000,000 to 13,000,000 tons. The breakdown between the two main types of coal is harder to gauge but it is probable that bituminous coal, particularly in stoker sizes, will gradually displace anthracite and that coke will come into increasing use in place of anthracite.

5. DOMINION-PROVINCIAL AUTHORITY

Considering only Canadian coal production there is divided jurisdiction between the Federal and Provincial Governments. The ownership of the coal lands and the possibility of regu-



lating the volume of production through the granting or withholding of leases, as well as the supervision of the methods of production, had been vested in the Provinces of Nova Scotia, New Brunswick and British Columbia before the entry of these Provinces into Confederation and have still remained within the sphere of their authority. In the cases of Alberta and Saskatchewan, the ownership of natural resources was vested in the Federal Government up to 1930, when title to these resources was transferred to these Provinces.

The Provincial authorities, therefore, through the granting or withholding of leases can control the rate of potential production even though the coal may be surplus to requirements in the Province and can only find markets by means of assistance from the Federal Government. In the various Orders-in-Council controlling the movements of coal under assisted rates, there has been a clause restricting this aid to properties that were in existence and producing coal prior to December 31, 1930. This clause was a source of objection from time to time and was suspended on April 30, 1943, for the duration of the war and three months thereafter because of the heavy demand for coal for war purposes. This restriction has always received a reasonably liberal interpretation and new mine openings by established companies have been accepted as replacements of exhausted workings. As time goes on, however, many of the older mines will exhaust their deposits and it is likely that difficulties will become more serious in the application of this restriction.

As the production, provision and marketing of coal is a matter of overall national importance, it would seem that the subject should be a matter of discussion and review in the next Dominion-Provincial Conference and some policy of co-operation evolved whereby the production and the marketing of coal can be held in close correlation in the future.



(B) HISTORY OF COAL BETWEEN WAR I AND WAR II

## 1. COAL IN THE LAST WAR

The story of coal during the last war is available in the report of Mr. C. A. Magrath, the Fuel Controller, and this report shows the same rapid increase in consumption with the consequent shortages in supply in the third and fourth years as mark the present conflict. The necessity for control was not recognized, however, until growing shortages and rising prices led to the appointment of a Fuel Controller on June 11, 1917, or almost three years after the outbreak of the war. The responsibilities laid upon the Controller are set out in his report and cover, briefly, supply, distribution and prices. Since this has been so fully documented in the report of the Controller it would not appear necessary to develop the working out of the policy here. There are a few points of interest, however, that are worthy of mention.

The development of this Control was paralleled by similar action in the United States and was, in fact, partly a result of this United States action. Supplies had become increasingly short with soaring prices in the United States market until action was taken by President Wilson and in August sweeping powers were conferred upon the President by Congress to control supplies and prices of fuel and food.

In Canada there was no existing Government organization with a knowledge of the coal trade and its ramifications nor was the appointment considered as more than a temporary expedient to meet an emergency condition. It was soon realized that the production of coal was closely related to the problem of coal mine labour and the appointment of the Controller as Director of Coal Mine Operations in September, 1918, gave some authority to enter into and adjudicate on this important phase of the problem.

The Controller immediately upon his appointment was faced with a chaotic supply position and a runaway price market. By



continuous effort order was introduced and, as the United States Controls became more and more effective, a closer grip was developed on the supply and price situation in Canada. There were serious shortages, heatless days, profiteering and other troubles but, under the circumstances the Control was effective and efficient and the performance of their heavy task fully merits the highest praise.

In the second section of the report the Controller reviewed the coal position of the country and made certain recommendations with respect to these problems. At the risk of repetition these recommendations may well be quoted:

"The Fuel Controller has in a brief way endeavored to make it clear

(1) that mining conditions in Canada, under an agreement with the interested provinces, should be looked into, in connection with

- (a) methods of mining,
- (b) wasteful extraction of coal,
- (c) costs of production,
- (d) over-capitalization.

(2) that at least imported coal supplies for a reasonable period following the declaration of peace, might very properly be watched closely by someone familiar with United States mining conditions, so that in the event of unusual happenings likely to affect supplies, no time would be lost in apprizing all interested consumers in this country.

(3) that mining operators should be called upon to submit confidential statements at stated times to the Government showing in detail costs of production, on approved forms. In fact, some accounting agency should be assigned to follow, not only the activities of the coal trade, but other basic industries, with a view to standardizing methods of accounting and business practices and eliminating what, in the case of some concerns, is blindfolded business effort in fields where fundamental conditions are against them, entailing ultimate loss both to the firm so engaged and to the country at large.

(4) that efforts should be made to increase the efficiency of the present methods of utilizing coal.

(5) that the development of new methods of domestic heating, and the production of power, should be actively followed, and tentative plans advanced by competent consulting engineers for the location of plants, either central heating or by-product gas plants, or both.

Should any or all of the foregoing suggestions be approved, the question at once arises, as to what agency is to be entrusted with the work. The problems are very largely of a character that require treatment by highly qualified technical men. The Fuel Controller takes the liberty to suggest that as the Honorary Advisory Council for Scientific and Industrial Research deals with technical problems,



that this report be transmitted to them for consideration and recommendation as to the best methods for dealing with the problems enumerated on a scientific and permanent basis."

It is a fact that these recommendations are applicable to-day and this present Control with the experience behind our operations, can subscribe to these as representing in large measure my own recommendations at the present time.

## 2. COAL IN POST-WAR I PERIOD

With the Armistice in 1918 the total consumption of coal which had reached a total of 34,800,000 tons fell off rapidly due to the cessation of the production of munitions. This decline was, however, largely in imported coal, which fell from 16.9 million tons in 1918 to 12.4 million tons in 1919. This coal fed the coke ovens and furnaces in Central Canada and, therefore, was naturally the first to fall off. Canadian coal supplying consumers in East and West and finding a large proportion of its market in the railways did not fall off to any appreciable extent as the statistics of production show clearly. The extended strike in the United States coal fields in 1922 produced shortages in both anthracite and bituminous coal and was one factor spurring Canada on to increased self-sufficiency in coal supply.

This trend is clear in the statistics wherein it can be seen that imports of anthracite after reaching 5.2 million tons in 1923 fell gradually away as other fuels were substituted. Similarly, United States bituminous coal imports, after the peak of 17.2 million tons in the post-strike year of 1923, also fell away and even in the boom years of 1927-1929 never reached over 15.0 million tons. Canadian coal, on the other hand, with minor recessions due to labour troubles showed a gradual upward trend in production up to 17.5 million tons in the same boom period.

In other words, in this readjustment period from 1918 to 1930, Canadian coal production increased consistently both



because of the effect of the war in changing markets and stimulating production and because of an awakened national consciousness. The market for imported coal contracted slowly and steadily to the central provinces and the interruption in these supplies during the strike year of 1922 furnished cogent argument why Canadian coal should be used where possible. As Western Canada during these years was booming, the Western coal mines supplying the major portion of their output to the railways also flourished and an increasing proportion of the total national output came from these mines. It is of interest here to stress the fact that following upon the end of the last war, there was no considerable decline in our coal production. With small but temporary recessions the coal mines flourished up to the depression days of 1930, or some twelve years after the Armistice.

BY THE CHAIRMAN: There is just one question I would like to ask there, about the falling off in the use of American coal, both anthracite and bituminous, in this country. Did the rise of coal marketed in Canada bear a tolerable resemblance to the decrease in American production?

MR. O'BRIEN: Not quite as much, Mr. Chairman, because Canadian coal was slowly increasing.

BY THE CHAIRMAN: The slack was taken up by other forms of fuel?

MR. O'BRIEN: Yes sir. (Continues brief):

With the catastrophic fall in business activity in 1930, the demand for coal, as for other basic commodities, fell off rapidly and our mines, developed and geared to a production rate of 17.5 million tons, found markets for only 11.7 million tons in 1932, a drop of almost thirty-three per cent. This drop did not only affect Canadian coal, as in the similar period of 1929-1933 imports of bituminous coal fell off by forty-two per cent and of anthracite by twenty-five per cent. It is not within the compass of this resume of the coal trade to discuss



the causes and progress of the great depression. It is sufficient to point out that coal, like other commodities, was surplus to requirements and the coal trade in both the production and import components fell upon very hard times. The main feature to be remembered is that these hard times were not unique to Canadian coal production but were part and parcel of a world-wide recession and were not amenable to cure by local action.

### 3. GOVERNMENT INVESTIGATIONS AND CREATION OF DOMINION FUEL BOARD

Arising out of the experience of the last war and the growing sense of national awareness, the country and the Government became increasingly conscious of the importance of coal in the national economy. A spur was applied to this awakening by the strike in the coalfields of the United States. This increased realization of our coal position is evidenced by the many parliamentary and other enquiries in the early nineteen twenties and bore fruit in the formation of the Dominion Fuel Board in 1922. A report on the foundation and activities of the Board will be submitted to the Commission and it is only necessary here to touch upon the highlights of the results.

The immediate problem of our dependence upon United States anthracite was among the first questions covered. As the records show, the gradual increase in the use of coke as a substitute, the development of the importation of Welsh and other European anthracites, the efforts to develop a domestic market for Alberta coal all played a part in reducing our requirements for United States anthracite.

A later and most important section of the Board's activities developed with the depression and the efforts made by Government to maintain Canadian coal production by the application of the subvention policy. This policy, as administered by the Board, did provide markets in Canada for increasing tonnages of our own production and under this stimulus the proportion of our requirements served by Canadian coal gradually



increased up to the outbreak of the present war and even beyond.

The full story of the inception of the subvention policy and the development of this policy by various Governments with the administration by the Board will be fully reported upon elsewhere. There is no doubt that this action did stimulate the greater use of Canadian coal and did assist our coal mining industry during very difficult times.

#### 4. COAL TRADE DURING DEPRESSION YEARS

While the Canadian coal producer had difficulty in finding markets during the depression years, this same depression had fully as serious an impact upon the United States producer. Geared to a production rate some thirty times as great as the Canadian, the drop in requirements had a correspondingly greater effect on the economies of the industry. Prices fell by leaps and bounds and coal was, in many cases, sold for whatever it would bring. This fact, of course, accentuated the competition against Canadian coal and the offerings of United States distress coal to Canadian consumers became so difficult to deal with that consideration was given to the imposition of a dumping duty.

Similar repercussions were apparent in the other coal producing nations and both British and German coal were laid down in our Eastern ports at prices that were lower than could be met by either Canadian or United States coals.

In times of distress, therefore, it was clearly shown that the general state of the coal trade throughout the world reacted upon our own production and this reaction may be expected to occur again under the same circumstances.

#### (C) EFFECT OF PRESENT WAR ON COAL ECONOMY

##### 1. REALIZATION BY GOVERNMENT OF NECESSITY FOR IMMEDIATE ACTION TO PROTECT COAL POSITION

At the outbreak of the present war there was in existence in the Dominion Fuel Board an organized body with wide knowledge and experience of the coal situation and, through this



knowledge and experience, well adapted to undertake further responsibility.

On September 3, 1939, Government, with the lessons of the last war keenly in mind, set up the Wartime Prices and Trade Board to provide safeguards against undue increases in the cost of food, fuel and other necessities of life and to ensure adequate supply and equitable distribution of these essentials. On September 14 a memorandum was drawn up by the Secretary of the Dominion Fuel Board for the information of the Wartime Prices and Trade Board recalling the fuel difficulties of the last war and outlining a programme of action. On October 18 a Coal Administrator was appointed to be responsible

"in co-operation with the industries and trades concerned and under the direction of the Board, for the conduct of negotiations with United Kingdom authorities for the export of coal and other solid fuels in Canada, in co-operation with the provinces concerned for maintaining and stimulating, where necessary, the production of Canadian coal and other solid fuels, for the supervision of the purchase, shipment, distribution and allocation of coal, coke and other solid fuels, whether domestic or imported, and for such other duties as may be assigned for him by the Board."

The Secretary of the Dominion Fuel Board was appointed as Technical Adviser to the Administrator and the accumulated experience and information of the Board, with the services of the existing staff, were immediately placed at his disposal.

## 2. BRIEF REVIEW OF DEVELOPMENT OF COAL ADMINISTRATION AND CHANGE TO COAL CONTROL

In the early days of the Administration the chief function was the maintenance of reasonable prices and supplies for the domestic consumers, as industrial supplies were adequate. In the early summer of 1942, Canadian production of industrial coal began to decline due to the loss of manpower. At the same time the entry of the United States into the war increased the demand for coal in that country and as Canada was dependent upon the United States for approximately fifty per cent of the country's requirements, the outlook grew gradually darker. As supply was more within the functions of the Department of



Munitions and Supply, it was finally decided that the problem could be more efficiently dealt with by a transfer of the duties and responsibilities of Coal Administration to that Department and this was accomplished on March 5, 1943, by Order-in-Council P.C. 1752, under which the duties, responsibilities and staff of Coal Administration were transferred to the Department of Munitions and Supply and the Coal Administrator was named as Coal Controller, with powers and responsibilities as laid out in the Order.

The subsequent history of Coal Control is, in effect, a continued effort to adjust production and imports to wartime requirements, to maintain a fair and just price within the policies of the Wartime Prices and Trade Board and to provide an equitable distribution of available supply.

It should be sufficient to say here that an increasing burden of responsibility has been assumed and discharged with reasonable success. Coal has been made available to meet all requirements, prices have been held to reasonable limits and there have been no extreme scarcities or runaway prices as marked the four years of the last war. In the final analysis, this result has only been possible through the whole-hearted co-operation of the producers, importers and distributors and full tribute is due to all those in the coal trade whose assistance and co-operation have been so freely given under extremely difficult circumstances.

### 3. LABOUR PROBLEMS

#### (a) Labour in Coal Mining

It is impossible to secure a balanced picture of coal production without full consideration of the part played by labour. Similarly, although to a smaller extent, the distribution of coal is also dependent on the quantity and suitability of available labour.

It has already been stated that the public mind generally



has not been greatly concerned with coal except in times of war or of scarcity through strikes, etc. Similarly, there has not been much interest or awareness on the part of the general public of the makeup of coal mining staffs or of the necessity for specific types of labour.

The working force of all underground mines breaks down into, first, the coal producers or miners, secondly, the other underground men concerned with the maintenance and development of the mine and the transportation of the coal from the face to the pithead and, lastly, the surface staff. Unless a proper balance is maintained between the producers or miners of the coal and the remainder of the staff, it is impossible to secure efficient operation. In the workings of the usual mine there is a general progression of the younger men from the simple transportation and other jobs underground to more responsible work and finally to a place at the working face. As most of the actual producing of coal is done under contract, the earnings are considerably higher than for other jobs and the competition to secure a place is usually keen. As these men get older and become physically incapable of the hard day to day work at the coal face, they retire from the face to other jobs in the maintenance and development of the mine where there experience in actual mining is valuable but the work is not so heavy. In this progression the young miner must qualify for his advancement by passing the various examinations set by the Provincial authorities and it takes generally at least two years of underground experience before qualifications can be secured enabling him to work at the face. As a consequence of this practice the ordinary underground staff is composed of both the younger man entering into coal mining and the older group who have retired from the face while the producing staff are the men in the prime of life and are also the men who have shown application and ability in working their way through the intermediate ranks.



(B) Loss of Coal Mining Labour

In this war, as in the last, since this producing group are generally the keenest and also within the proper age limits, they have been the most susceptible to enlistment in the Armed Services. While at the beginning of the two wars it was possible to replace men who enlisted from the ranks of the other underground labour, this source of replacement dried up as the condition persisted. The keener young men, instead of entering coal mining, enlisted at once and the number of men entering into mining dropped.

As this was the experience of the last war and was a matter of record, Coal Administration, as early as February, 1940, reported to the Wartime Prices and Trade Board, in part, as follows:

"Consideration must be given to the enlistment of labour and miners from the producing fields. During the last war serious labour conditions arose due to the drain of manpower from the mines and history might easily be repeated if experienced labour is recruited for war services and inexperienced manpower left to carry on one of the essential industries of this country."

From this time repeated representations were made on the grave danger to coal production if producing miners were either enlisted or drafted. In the calendar year 1939 there was an average of 9,600 producing miners in Canadian coal mines ranging from a minimum of 7,979 in June to a maximum of 11,010 in November. This fluctuation was, of course, due to the seasonal operation of the domestic mines in Alberta. The average yearly number for the succeeding years was 9,366 in 1940, 8,656 in 1941, 8,205 in 1942, 7,948 in 1943 and 7,903 in 1944. Since the average production per producer per year is about 2,160 tons, the loss of 1,700 miners to 1944 has meant the loss of some 3,670,000 tons of potential coal in this past year.

The representations on the drain of labour, and particularly of producing labour, from the mines secured action in the passage of Order-in-Council P.C. 4092 on May 17, 1943. This



Order-in-Council called for the return to the mines of all civilians who had had mining experience as set out in the Order, prohibited call-ups or enlistments of coal mine labour and provided such other enabling steps as were deemed necessary. Some time previously the Department of National Defence had agreed to release soldiers stationed in Canada on coal mining leave and this action was of substantial help. From June 1 to December 31, 1943, some 6,846 men were reported as returned to the mines, made up of 1,519 men under P.C. 4092, 1,508 soldiers on leave, and 3,819 secured by other means. The latter group was largely made up of the usual seasonal influx into the Alberta domestic mines and did not represent a permanent gain. In the same period there were 3,607 men left the mines for various reasons, leaving a net gain of 3,239, of whom approximately 1,000 would be the seasonal men referred to above.

This action did reverse the trend for a considerable time but, with the increased average age of the men at work, there was a steady loss of men through physical causes or old age and once the large influx was over, the overall position again started slowly to decline.



(c) STRIKES and ABSENTEEISM

The history of labour relations in the industry during the war has been marked by a continuous series of small strikes in some of the most important areas, by the slowdown strike in Cape Breton in 1941 and the strike in the Western coal mines in November, 1943. The small strikes were generally on the local level and unauthorized by the District Executive. They were, nevertheless, serious in their effect upon coal production and in keeping the situation in an unsettled state. The slowdown strike in Cape Breton was a more serious matter and apparently arose out of political difficulties within the Union. It has been estimated that these slowdown tactics cost the country some 640,000 tons of coal. Finally, the strike in Western Canada in November, 1943, lost about one week's production and resulted in the setting up of the O'Connor Commission and the award of a general increase in wages of one dollar per day plus holiday privileges which was later extended to the Eastern mines by the National War Labour Board.

There has been, during the last few years, a great increase in the loss of working time because of unnecessary absenteeism resulting in the loss of a large tonnage of coal. The matter of absenteeism has been reviewed with the appropriate officers of the Department of Labour many times and many plans have been worked out in an attempt to better the situation. The net result, however, has been disappointing and the record of absenteeism has continued at an abnormally high rate. In this presentation of the fact that absenteeism has lowered the potential supply of coal, it is not intended that this be taken as a criticism of either management or labour. It is solely a statement of a basic fact restricting coal production and increasing costs and, therefore, possibly deserving further investigation by competent authority.

(d) GENERAL LABOUR RELATIONS AND POLICIES

An outline has already been given of the effect of the loss of coal mine labour and the steps taken by this Control and



Administration to bring the serious results of such loss to the attention of the responsible authorities.

There has been a continuous liaison between this Control and the Department of Labour and National Selective Service. A senior officer of the Control has been in charge of this liaison and has not only kept in the closest touch with the officials of the Department of Labour but has sat in as a member of various committees dealing with coal mine labour. The ultimate responsibility for the policies pursued has, of course, lain upon the Department of Labour and our function has been to keep continuously before the responsible officials the effect of labour policies upon the output and the distribution of coal.

As the production of coal is largely a matter of the proper application of qualified labour and since the costs of the labour factor are by far the largest proportion of the total cost of producing coal, it would seem evident that the closest attention should be given to labour relations in the industry.

#### 4. REVIEW OF CHANGING PROBLEMS IN SUPPLY DURING WAR PERIOD.

Here, again, it is hardly pertinent to give a complete story of these changing problems and a general outline will serve to illustrate the main points and form a basis for the observations presented for consideration. As these problems are largely sectional, it is easier to consider them on an area basis.

##### (a) MARITIMES

In peace times a large proportion of the output of the Nova Scotia mines was carried to the St. Lawrence market by water. A fleet of fast vessels, built for rapid loading and discharge, was employed and the service was both economical and efficient. The coal produced during the winter months was more than sufficient to supply Maritime needs and, while a certain amount was shipped to Quebec by rail, the balance was placed in storage at Sydney awaiting the opening of navigation. For example, in the Spring of 1939 there were some 695,000 tons in bank ready for shipment.



The qualities of the vessels employed were such that, with the opening of the war, they were gradually requisitioned for Admiralty service and the shippers were forced to charter any type of steamer available. It is of interest to note in passing that this was an exact repetition of the experience of 1914. The slower steamers, and particularly the slower discharge, rendered the movement more costly but as long as boats were readily available the quantity of coal shipped was maintained at a high level, although at an increased cost. With the intensification of the submarine campaign it became more and more difficult to secure enough vessels and the water movement declined rapidly.

The rail facilities from Cape Breton were also a limiting factor in shipping coal from the mines. One single line of somewhat tortuous rail connected Sydney with the main line at Truro and this connection was broken by the car ferry at Mulgrave. The demand for steel increased the load upon this line as the blast and open hearth furnaces at Sydney came into full production. Movement of traffic was delayed by weather conditions during the winter months and by the heavy demand upon the railways elsewhere for cars and locomotives. The increased coal requirements of the railways themselves took a greater proportion of the coal shipped by rail and it grew more and more difficult to move enough coal over this route to supply the Maritime Provinces and the railways and leave any excess for movement to Quebec.

The increased market for coal plus the efforts of both the operators and labour resulted in an increase in production in the first two years of the war as is evident from the statistics.

PRODUCTION OF COAL FROM CAPE BRETON MINES

1938.....	4,676,730	net tons
1939.....	5,413,615	" "
1940.....	5,896,839	" "
1941.....	5,384,375	" " (slowdown strike)
1942.....	5,289,250	" "

The restrictions on transportation, however, prevented the adequate movement of coal through the Winter months and in the Spring of 1942 there was the paradox of a large demand for coal, a stockpile at Sydney awaiting shipment of 775,000 tons and



of mines closed with the men idle for two and three days a week. This condition of employment, together with the well known patriotism of the Cape Breton miner, combined to produce a heavy enlistment in the Armed Forces and the working forces of the mines fell off at an alarming rate from 13,551 in January, 1942, to 11,534 in September, 1942. This loss was heaviest among the qualified producers and the production from the Cape Breton mines has never recovered from the effect of this decrease in the producing staff.

The increase in consumption by the Maritime railways has been noted above and it may be of interest to note the tonnage consumed in the three Provinces of Prince Edward Island, Nova Scotia and New Brunswick by the lines concerned:

MARITIME RAILWAY CONSUMPTION OF COAL

	<u>Total</u>		
1939.....	689,729	net	tons
1940.....	917,294	"	"
1941.....	1,093,487	"	"
1942.....	1,277,871	"	"
1943.....	1,340,994	"	"
1944.....	1,307,522	"	"

In addition, the expansion of steel production at Sydney called for more and more coke with a consequent demand upon the coal available. General industrial requirements throughout the area were also greater and, as all these increases in demand came down upon the collieries, there was less and less coal available for shipment to other provinces.

Under the influence of all these factors the St. Lawrence movement fell off from the 3,500,000 ton level in 1939 to only 485,000 tons in 1944.

The general effect of the war upon the Maritime coal industry was, therefore, to restrict the amount available for delivery to other areas because of

- (1) transportation difficulties
- (2) reduction in output
- (3) increased requirements in the area.



(b) CENTRAL PROVINCES

The Central Provinces have had no great difficulty up to the present time in securing adequate supplies of industrial and railway coal.

BY MR. O'BRIEN - I may say that the present time refers to the date on which this brief was written, and may not apply to today.

BY MR. FRAWLEY - It is dated the 28th of March, 1945.

MR. O'BRIEN continues brief.

The United States authorities agreed to give the Canadian consumers exactly the same treatment with regard to available supplies as was extended to their own people. The plentiful supply of coal in the United States up to this past winter plus the efficient transportation available allowed the consumer in this area to protect his own position with ease.

In the earlier years of the war the position with regard to exchange of United States dollars was such that it was necessary to use as much Canadian coal in this area as possible and reduce the necessity for United States dollars. As long as transportation was readily available, the movement of Nova Scotia coal was encouraged and some 3,500,000 tons moved in 1939, and 3,376,000 tons in 1940. By 1941, however, the difficulties noted in the section above began to have an effect and the movement fell to 2,098,000 tons in that year and to 1,662,000 tons in 1942. Larger amounts of Western coals were moved into this market during the earlier years of the war, particularly into Northern Ontario. The quantities increased from 161,000 tons in 1938 to 1,051,000 in 1941 and 821,000 in 1942. Here, again, as will be noted later, the transportation facilities were unable to carry the increased load and local demands reduced the quantities available.

As Canadian coal became less and less available, increasing quantities of United States bituminous coal were imported and the area served increased in size. For example, Western Canadian coal was used in the Canadian Pacific Railway as far east as Schreiber, Ontario, in 1940 but by 1944 United States coal was fueling locomotives in the Eastern part of Saskatchewan. Similarly,



United States coal moved down the St. Lawrence in increasing quantities as the Maritime supplies dwindled.

The supply of United States coal was largely seasonal as full advantage was taken of the cheap water transportation on the Great Lakes and large storage piles were maintained both on the coal docks and in the industrial plants. This practice of stocking was encouraged by the Coal Controller in every way and, as a consequence, Canada was not affected by the short lived strikes in the United States coal fields.

With the rapid growth of the demand for coal in the United States itself, as war production increased, the necessity arose for closer control over the distribution. In the beginning of the coal year 1944-1945, Coal Control developed a close co-ordination with the Solid Fuels Administration in Washington and acted both to cut down non-essential imports and to secure a fair proportion of special quality fuels for necessary requirements. A conservation programme was developed to reduce consumption and purchases were restricted wherever the stock position allowed. As we enter the year 1945-1946 the United States supply situation is becoming more and more critical and all Canadian requirements are being most carefully reviewed to reduce takings to the bare safe minimum.

In general, however, through the ready assistance from United States producers and Government authorities the central area has been able at all times to secure an adequate supply of coal for all undertakings.

BY E. J. BRUNNING - That was true up until the present strikes; a similar remark as Mr. O'Brien made a few minutes ago.

MR. O'BRIEN continues Brief

(c) WESTERN CANADA

The present section is intended to cover only the changing picture in the supply of bituminous coal and the supply of domestic coals in this area will be covered in the domestic section below.

It is perhaps an easier approach to deal first with the



Pacific Coast situation before touching the Prairie requirements. The main source of coal on the coast was the Vancouver Island coal field and at the outbreak of war this field had behind it a record of lost markets and falling output. The heavy competition with oil and sawdust had deprived coal of many normal outlets. For example, the pulp and paper mills in British Columbia purchased in 1935 the equivalent of some 136,000 tons of coal but of this possible consumption only 8,000 tons was actually coal, the balance being fuel oil. There is not the necessity for large supplies of domestic coal in this area and fuel oil and sawdust were dangerous competitors. In earlier times a large bunkering business was done but oil burning steamers and the price competition of cheaper coals at other bunkering stations had cut down deliveries. The industry was able to produce much more coal than could be sold and the mines were unable to operate on full time.

The outbreak of war did nothing to improve the situation but, rather, the reverse. Ships for bunkering became more and more scarce as the vessels moved closer to the area of conflict. War industries did not open early in this area and unemployment was serious with reduced purchasing power and less coal sold. The general situation grew somewhat darker through 1940 and on into 1941. It must be understood that, as this is both a small coal producing and consuming area compared to the others dealt with in this review, a drop or rise of only one or two hundred thousand tons in demand was enough to unbalance the market. With the opening of the shipyards and aeroplane factories on the Coast, the picture grew rapidly brighter and the increased purchasing power was soon apparent in the growing demand for domestic coal even although the industries themselves were not large coal consumers. As the new ships slid down the ways and were completed for sea they moved over to the bunkering ports for the coal to feed their boilers on the long trip to the Atlantic. This new market was at first most welcome and it was only a comparatively short time until the collieries were working to capacity. In the meantime,



however, both from motives of patriotism and to get away from a part-time industry, many miners had left the area to join the Army or to work in the shipyards. Even after full time work was available, the rates of pay in the shipyards and other wartime developments was so much bigger than in coal mining that men continued to leave. Therefore, it was only a further short period before the mines, due to lack of manpower, were unable to supply the market at their own doors and it became necessary to divert coal from the Prairie Provinces to supply the domestic demand and to fuel the ships. At the present time the Island mines have not enough manpower to supply the coastal market and, even more serious, due to the shortage of manpower, they have not been able to develop new workings from which to supply enough coal for this area.

Of all the various areas, the bituminous fields in Western Alberta and Eastern British Columbia show the brightest and most consistent picture. These mines are centered around the Crow's Nest Pass in the south on the Pacific Railway and in the Coalspur and Mountain Park area in the north on the Canadian National Railway.. There are two other large producers between these two main fields, one on the Canadian Pacific main line at Canmore and the other some sixty miles southeast of Mountain Park at Brazeau on a branch line of the Canadian National. One of the largest producers is in British Columbia operating two mines, eighteen and forty miles respectively, west of the Alberta-British Columbia border, but as this operator supplies the same market area it is usually included among the Alberta mines in any statistical survey of the market.

These mines were developed primarily to supply the demand for railway coal and in 1939 furnished practically all the coal required for locomotives from the Pacific to the Head of the Lakes, with some overlap with United States coal east of the Fort William area. Under the spur of war the production was increased up to 1943 when manpower shortages forced a drop of some ten per cent.



PRODUCTION OF BITUMINOUS MINES IN ALBERTA  
AND BRITISH COLUMBIA CROW'S NEST.

1939.....	3,509,929	net tons
1940.....	4,332,598	" "
1941.....	5,163,325	" "
1942.....	5,313,612	" "
1943.....	4,771,687	" "
1944.....	4,896,161	" "

For many years these operators have sold some seventy per cent of their output to the railways and this practice continued up to 1941.

SALES TO RAILWAY BY ALBERTA AND BRITISH  
COLUMBIA CROW'S NEST BITUMINOUS MINES

	<u>Sales</u>	<u>Per Cent of Production</u>
1939.....	2,407,735	68.6%
1940.....	3,138,751	72.4
1941.....	3,621,345	70.1
1942.....	3,387,523	63.8
1943.....	2,537,053	53.2
1944.....	3,046,989	62.2

It has been noted above how the mines on Vancouver Island gradually became unable to supply the demands and in 1942 it became necessary to divert tonnage from these Mountain mines to supply bunkers at Vancouver.

These mines also have had a comparatively small but steady export trade to consumers in the Northwestern States and particularly to the large smelters and metallurgical works. The usual export was about 100,000 tons but with the increase in war tempo in the United States and the setting up of new plants this requirement increased to some 525,000 tons in 1943, but has fallen again to about 352,000 tons in 1944. The combination of increased demand for bunkers, for export, and for industrial consumption in the area, together with the limits on production imposed by available manpower, reduced the supply to the railways as is evident in the above table. This reduction in Canadian coal, together with increased consumption, forced the railways to import greater and greater quantities of United States coal into the Head of the Lakes and this United States coal was used farther and farther west even into Saskatchewan. At the same time



industrial consumers in Western Ontario and even some in Winnipeg were forced to change from Canadian to United States coal.

Among the many requirements filled it may be of interest to know that over 100,000 tons of Canadian coal were shipped to the United States War Transport authorities for bunkering Russian steamers.

The United States authorities were told that Canada was willing and anxious to supply all the coal requirements in this area that they felt could not be filled from their own mines and in the allocation of these coals the possible demand from the United States was always held in mind.

This situation has reverted closer to the normal since 1943 and Canadian coal is again moving back east to supply the railways and Manitoba industry. It is expected that the imports of United States coal into the Head of the Lakes will be reduced by some 1,500,000 tons from last year's figures and that Canadian coal may even be used on the railways East of Winnipeg.

This short story of the ebb and flow of the supply of various kinds of coal according to the exigencies of the war demands is only intended to sketch in the broadest outlines and to show some of the chief difficulties that have been met and overcome during the last five years of stress.

#### (D) DOMESTIC COAL SUPPLY

It has been explained that the chapter above has only dealt with the supply and distribution of industrial and railway coal. It now remains to sketch briefly the corresponding picture of the supply of coal for household or domestic use. Here, again, the fundamentals vary with the area and the composite picture can only be built up by developing the separate sketches of each region.

##### 1. MARITIMES

As this is a coal producing area it is natural that the bulk of the coal consumed for house heating is the local product. There were exceptions in Halifax, St. John and Yarmouth areas



where anthracite coal was extensively used, but in the main the chief fuel was and is bituminous coal. The decrease in proportion, with increased demands for industry and the railways, caused many small difficulties but up to the present time there have been no serious shortages or public suffering. The anthracite trade was largely in the hands of the importers of Welsh and Scottish coal and it has been necessary, with the withdrawal of the British anthracite, to supply increasing quantities of both United States anthracite and coke as well as to require consumers to take a proportion of their needs in bituminous coal. As local coal had always been readily available and British anthracite moved in by vessel at any time, it was not the practice of the dealer to carry very large stocks and the stringent supply position in the last two years has caused trouble at times. On the whole, however, the supply of household coal to this area has not been a serious problem and coal has been furnished for this essential requirement as needed, even though it has not always been that particular kind preferred by the consumer.

## 2. CENTRAL PROVINCES

While it is usually thought that this area is chiefly an anthracite consuming area, the actual statistics show that half or more of the total solid fuel requirements are furnished by other coals. There has been the keenest competition between various types of fuel, including gas and oil, for the household market and cost has probably been the main factor in directing the householder's choice in this area.

It is unfortunate that there are no statistics on the consumption of the various fuels for the years between 1932 and 1940. For some years previous to 1932 the Department of Mines and Resources, in conjunction with the Dominion Fuel Board, carried out an annual survey of retail sales of coal and other fuels but this was discontinued for economy reasons in 1932. With the war and the inception of Coal Administration, monthly statistics were collected as from March 1940, and it has been possible to



follow the shifts in types of fuel and note the growth in demand from that time. A table showing the retail sales of coal and coke in this area for the years 1940-1944 inclusive, together with the sales in 1932, is shown in Appendix "B". The figures are reasonably accurate but as they represent the retail sales, they do include some coal delivered to apartment houses, hotels, shops, etc., which probably increases the tonnage of bituminous coal over that used by the householders alone.

In addition to coal and coke, fuel oil, natural gas and wood were extensively used for house heating. The heavy war demand for oil and gas reduced the amount available for domestic use and this is partly responsible for the increase shown in the sale of coal and coke. The remainder of the increase is probably due to greater income, the shift to urban areas with the growth in munitions output and the natural increase in the population.

By 1932, due to various factors, coke had become a popular fuel and the table shows that 23.4% of the market was supplied from this source in that year. It is probable that this trend continued up to the outbreak of war, when coke may have supplied 25 per cent of the total. Even as early as 1940 the increasing demand for coke to feed the blast furnaces began to cut into the quantity available for domestic use and the table shows the rapid decrease in both tonnage and in percentage of total fuel. The decreased demand for steel and iron in 1944 made possible an increase in the coke supply which was all the more necessary in view of the decrease in available United States anthracite.

Anthracite is, of course, the most popular fuel and while consumption figures for the years 1932-1940 are not available, the import figures show an increasing quantity of British and European anthracite entering Canada, of which most of the coal entered this area. The import statistics also show that the quantity received in the larger domestic sizes remained more or less constant and that the increase was due to the greater amounts of small sized or blower coal. It was a fact that the increasing



sales of blowers led to a greater demand for the clinkering type of buckwheat anthracites.

Welsh and other European anthracites of similar type were increasingly popular in Canada and particularly so in the smaller sizes on account of the clinkering qualities. United States anthracite has an ash with a high fusion temperature that does not clinker readily and as the use of the blower system required a clinker for extraction, it was not used in this equipment. With the development of the war the supplies of Welsh coals grew shorter and it became necessary to mix Welsh and United States buckwheats to supply the market with a coal that had usable clinkering qualities. The rapid decrease in the sales of Welsh buckwheats as shown in the table is evidence of this trend. The consumer has had either to take out the blower or use the non-clinkering United States coal although the Division of Fuels, Department of Mines and Resources, has developed a compound that, when added to coal, will increase the clinkering properties.

The growing use of stokers increased the sales of bituminous coal although another factor was the growing scarcity of coke and anthracite.

The table clearly shows the decrease in the use of British anthracite with the corresponding increase in the sales of the United States product up to 1942. By that time the United States mines were working to capacity and, with a large increase in requirements for their home market, the coal became more and more scarce. The United States authorities worked closely with Coal Administration and gave Canada exactly the same treatment as was extended to their own consumers. Early in 1943, the situation in the United States was critical and as our Canadian dealers had built up good stocks, Coal Administration consented to a cessation of shipments to Canada for a period of one month to allow the United States consumer to get his requirements.



Since that time the supply has grown steadily scarcer and restrictions were imposed requiring consumers to take a proportion of their total coal in bituminous or other substitute fuels. These restrictions are still in force and, in this past winter, have only permitted delivery to any consumer of eighty percent of his consumption of anthracite in the basic period of 1942-1943.

BY MR. O'BRIEN - In the present Winter that has been reduced to seventy-five percent.

MR. O'BRIEN continues brief.

This action has permitted equitable distribution of the restricted supplies with a minimum of hardship and has paralleled the action taken in the United States.

It has been stated previously that the assistance and co-operation of the United States authorities in supplying our increased industrial demands for coal were of the greatest value. This is even more true when the anthracite situation is reviewed. Our United States friends not only maintained their shipments to Canada at the pre-war level but increased them steadily to meet the growing shortage as the British coal became less available. Without this action on their part there would have been considerable hardship and difficulty and the help and co-operation so freely given in our time of need fully deserves our deepest gratitude.

One final point that should be noted in these figures is the great diversity of the market in this area. With assistance from the Government, Alberta coal has been moved into Ontario for sale to the householders either as raw coal or as briquettes. It will be noted that the quantity increased steadily up to 1942. In 1943 it was necessary to cut this movement down to supply the Western demand and, while the supply situation did improve later, the transportation facilities were so jammed with war and other essential commodities that it was not possible to resume these shipments. At the present time, however, a limited quantity of these coals is moving down but even this is liable to interruption should the traffic requirements change.



BY MR. BRUNNING - I would like to mention that since the coal strike in the west there are considerable quantities of strip coal moving into the Western market.

MR. O'BRIEN continues brief.

3. PRAIRIE PROVINCES

This area has been fully served with locally produced coal. The mines producing coal for household use usually operate on a seasonal basis as the Western consumer prefers fresh mined coal because of the storing properties of the fuel. The miners find employment in agriculture and other industries in the Spring and Summer and return to the mines in the Fall.

In the season 1942-1943 the manpower available was shrinking and, as this was a very coal winter, the demand for coal soon became greater than the supply. The shortage of fuel in the Coastal area increased the requirements from the Prairie mines and the situation grew decidedly critical. Shipments to Ontario were stopped and this coal diverted to meet Western requirements. A thorough scheme of emergency allocation was set up and by careful control the emergency was gradually overcome. In order to avoid a repetition the Emergency Coal Production Board endorsed the opening of some five new strip mines that, while not requiring skilled miners, were capable both of producing coal quickly and of being shut down without serious loss. These mines did not affect the situation to any extent in the winter of 1943-1944 but, as this was an unusually mild winter, there were no serious troubles. The demand for coal in the past winter, however, has been partly met by production from these mines and their opening and maintenance has been fully justified.

BY MR. BRUNNING - I have some figures in my bag which you might like to have tabled showing the different projects in the West, the number of tons they have turned out to date, and the number of tons they have uncovered in reserve for emergency conditions this winter.

EXHIBIT 250 - Operations Report, Government Sponsored  
Alberta Strip Mines, to September 30, 1945.



EXHIBIT 250 reads as follows:

EMERGENCY COAL PRODUCTION BOARD

OTTAWA

Government Sponsored Alberta Strip Mines

Operations Report to September 30, 1945.

<u>Project</u>	<u>OVERBURDEN REMOVED</u>		<u>COAL SOLD</u>		Coal Left Exposed and par- tially exposed <u>Tons</u>
	<u>This</u>	<u>To</u>	<u>This</u>	<u>To</u>	
	<u>Month</u>	<u>Date</u>	<u>Month</u>	<u>Date</u>	
	<u>cu. yds.</u>		<u>Tons.</u>		
#2 Camrose Collieries Ltd., Camrose, Alta.	75,786	879,280	2,612	49,265	64,000
#3 Castor Creek Collieries Ltd., Castor, Alta.	Nil	284,800	Nil	5,735	44,500
#4 Birnwal Coal Ltd. Eyremore, Alta.	127,640	1,577,790	12,068	200,620	30,000
#5 Majestic Mines Ltd. Taber, Alberta	Nil	621,032	Nil	32,154	Nil
#6 Western Ventures Ltd. Taber, Alberta	23,040	581,100	Nil	28,944	26,000
#7 Continental Coal Corporation Ltd. Grassy Lake, Alta.	<u>100,000</u>	<u>879,857</u>	<u>3,918</u>	<u>64,379</u>	<u>65,000</u>
	325,466	4,823,859	18,598	381,097	229,500

MR. O'BRIEN continues Brief.

Apart from these few incidents there has not been any great difficulty in maintaining an adequate supply of coal to the Prairie householder.

4. PACIFIC COAST

The changes in the production situation in this area have been noted in a previous section and, as a large proportion of the output of the local mines was distributed for household use, the supply deficiencies had a serious effect upon the domestic picture.

Coal from this area was subject to severe competition before the war both from fuel oil and from sawdust and wood. In 1938 the equivalent of some 200,000 tons of coal was sold for domestic



burning in the form of fuel oil. Due to the oil shortage this had fallen by 1943 to the equivalent of some 112,000 tons of coal, in other words, the coal requirements to meet this deficiency were increased by almost 100,000 tons. There are no figures on the sawdust and wood situation but here, too, there was a large additional load thrown upon the coal supply.

These additional requirements for coal, plus the added quantities needed to take care of additional population, produced a serious situation, especially as production in the local mines was restricted because of lack of qualified manpower. These troubles came to a head in the Winter of 1942-1943, when they coincided with an unusually cold winter both on the Coast and in the Prairie Provinces.

By direction and by the grant of subvention assistance, coal from Alberta was diverted into this area to meet this shortage and although the public did suffer considerable inconvenience, the situation was finally adjusted. Since that time shipments of Alberta coal have continued at a high level and, with milder weather, there has been no further serious difficulty.

In this area, as in the Maritimes and the Prairies, where coal was readily available direct from the mines, there was no provision for carrying any large stocks of coal by retail dealers. There was, therefore, no margin of safety and considerable time and effort has been expended in an endeavor to induce the retailers to change their practice and take coal when it was available from the mines for future sale.

At the present time there is an annual movement into this area of approximately 500,000 tons of Alberta coal as against the peacetime normal of 600,000 tons per year.

BY THE CHAIRMAN - Did you have any considerable success with the coal dealers in getting them to take their supplies?

A. I would not like to say we have. We have put on an advertising campaign, but we have not had much success.

BY MR. BRUNNING - I think the limitation was their facilities to store coal.



MR. O'BRIEN continues Brief

(E) COAL EXPORTS, ETC.

The effect of the increased demand for coal export upon the bituminous mines in Western Canada has already been noted. In the Maritime area there was a similar increase which had a definite effect upon the domestic supply picture.

Newfoundland in peacetime imported some 120,000 tons of coal from Nova Scotia and secured the balance of its requirements, which may have been about 250,000 tons, from Great Britain, with some small tonnages from the United States.

BY MR. O'BRIEN - These are annual figures.

BY MR. FRAWLEY - Nova Scotia only supplied less than half of Newfoundland requirements?

1. Right.

2. They are by all odds the nearest source of supply?

1. That is right.

3. You don't expand upon that any further?

1. No sir. British coal was laid down there of a quality that met with the demands of the Newfoundland consumers at such a rate that it did have a decided preference.

BY THE CHAIRMAN - You are only dealing with figures of Newfoundland importations from Nova Scotia as of 1938?

1. Yes, Sir.

2. In Newfoundland in peacetimes, say previous to 1925, did they get the greater bulk of their coal from Nova Scotia?

1. I would have to check back in my tables for that, Mr. Chairman. I have the records available back for some period.

BY MR. FRAWLEY - It is not likely we will finish with you today, and could you come with some notes about Newfoundland. It is very close by water haul from Cape Breton to Newfoundland and they are not even enjoying half of their market. Let us see what it was back some years.

BY THE CHAIRMAN - The reason I asked that, I have some hazy notion in the back of my mind that many years ago they were supplying the whole necessities of Newfoundland.



BY MR. O'BRIEN - The statistics I have available are exports to Newfoundland. I will try to get Newfoundland imports. It will take more time, but I may be able to get them for tomorrow.

BY MR. FRAWLEY - Or even later. We might want to explore that with you.

MR. O'BRIEN continues Brief

The shortage of shipping soon cut into this movement from Britain and it became necessary for our Maritime lines to take over more and more of the load.

SHIPMENTS OF COAL FROM NOVA SCOTIA TO NEWFOUNDLAND

1938.....	115,499	net tons
1939.....	133,471	" "
1940.....	207,005	" "
1941.....	208,334	" "
1942.....	393,465	" "
1943.....	385,732	" "
1944.....	355,603	" "

The requirements for this market have been about seventy-five per cent. lump coal and this additional load, therefore, meant an increased demand for some 220,000 tons of lump coal. It became increasingly difficult for the operators to meet this demand with their production falling away and still maintain shipments of this size of coal to their retail dealers throughout the Maritime area.

In spite of the difficulties the coal has been forwarded and the Newfoundland requirements adequately supplied.

(F) PRICE CONTROL

From the beginning of Coal Administration in September, 1939, a close watch was maintained on the prevailing coal prices but, as coal was readily available, there was little need for any particular action. One exception was in maintaining the supply of Welsh anthracite at competitive prices, but this was worked out by co-operation between the British Government, the Welsh exporters,



the Canadian importers and this Administration.

With the inception of the price control policy by Government in 1941, this phase of the work became increasingly important and since that time the officers of this Control have worked under the Wartime Prices and Trade Board in maintaining the ceiling on retail coal prices.

As such a large proportion of our coal requirements is furnished by other countries and, as the prices of these imported coals rose steadily, it ultimately became necessary to arrange for subsidy payments on fuel imported for use by the household consumer. Increases in the price of imported coal to other consumers, such as the railways or industry, were absorbed by the Canadian purchaser although, even here, some adjustments were necessary from time to time where these increases in fuel costs meant an increase in the retail selling price of the commodity produced.

Due to the strike in Western Canada in 1943 and the subsequent award of a wage increase by the O'Connor Commission, it was found necessary by Government to sanction an increase in the selling price of Canadian coal. The costs of the wage increase were determined by this Control and, in conformity with the policy determined by Government, passed on to the consumer in the form of a price increase. Similar action was taken soon after in respect to the prices of Eastern coals following upon the award of the National War Labour Board of an increase in wages to Maritime mines.

BY MR. O'BRIEN - Here again I may add that since this was written the Government authorized an increase of 33 cents in the price of Nova Scotia coal as from August 15th, which was covered by Coal Administration Order, to produce a fund to be used to the benefit of the coal miners in Nova Scotia.

BY MR. FRAWLEY - That has not been completely wound up yet?

1. The price increase has been in effect since August 15th,

2. The consumers have been paying the 33 cents?

A. Yes.



MR. O'BRIEN continues Brief.

The maintenance of this Control over prices has undoubtedly played a considerable part in the general policy of holding the cost of living at a stationary level.

(G) EMERGENCY COAL PRODUCTION BOARD

In 1942, as the year went by, it became increasingly evident that there was grave danger of a shortage of coal. Due to the loss of qualified mine labour, production was falling while the demands were growing with the general increase in the output of munitions and transportation and trade generally. By September or October the situation had become alarming and action was taken by setting up under Order-in-Council P.C. 10674, on November 23rd, 1942, of the Emergency Coal Production Board headed by the Coal Administrator and charged with the responsibility for (quoting from the Order)

"taking all such measures as are necessary or expedient for maintaining and stimulating the production of Canadian coal....."

At this time the coal industry was suffering under two particular handicaps - shortage of labour and shortage of finances. As the mines were developed and equipped for a certain rate of production any decrease in production through lack of miners increased the labour cost of the coal produced. Wages had been increased in some of the Western areas and material had also become more costly. Many of the mines were financially in a very poor condition and were quite likely to go bankrupt and close down. Any shutdown, even if only temporary, would mean that the miners would drift away from this type of employment with a further loss in potential production.

The Board consequently considered that the first matter to be dealt with was to maintain these operations in a sound financial condition. After a careful review of the situation the policy was adopted of assisting those mines which could show financial distress. The assistance was granted by payment of a subsidy sufficient in amount to cover operating losses and provide



profit at that level determined as "Standard Profit" by the Department of National Revenue or at the rate of fifteen cents per ton, whichever was the lesser. Application for assistance was required from each individual operator, together with a comprehensive statement of his financial position and each application was considered in relation to the productive capacity and the coal requirements of the market served.

Many of the applications received for assistance were not such as to need help in the way of subsidy and, wherever possible, the assistance was granted in the way of loans or by recommendation to the Department of National Revenue that a grant be made by accelerated rates on depreciation or depletion.

The application of this policy did maintain many mines in operation that would otherwise have closed down and did thus keep the available mine labour at work producing coal.

The Board, with the wide powers conferred by the Order, took up the question of providing sufficient labour and their representations, together with those of Coal Administration, were largely responsible for the granting of coal mining leave by the Army and the passage of Order-in-Council P.C. 4092 returning ex-coal mine workers to the mines.

The study of the various applications required the setting-up of a technical staff and the services of one of our outstanding coal mining engineers was secured to act as Consulting Engineer to the Board. These services were then made available to any of the producers in technical matters as another means of maintaining and increasing production and this has been of considerable value.

BY MR. FRAWLEY - It seems too bad to have Mr. Vissac remain anonymous there. It was he you referred to?

. Yes.

. No design in leaving it out?

. No, no design.



MR. O'BRIEN continues Brief

The Winter of 1942-1943 proved the inadequacy of the supply of Western domestic coal and, as there were not sufficient miners to increase the production, it became necessary to develop other facilities. Under the authority of the Board, some six stripping projects were started in Western Canada utilizing surplus equipment of contractors from the Alaska Highway and employing unskilled labour with a small proportion of trained machine operators who were available. These strip mines had the further advantage that they could be shut down when the coal was not needed and reopened without serious loss or difficulty. These operations were barely in production in the Winter of 1943-1944, but have been of great assistance in the past Winter, and up to December 31, 1944, have produced and marketed some 203,000 tons of coal and uncovered an additional 208,000 tons which were ready for lifting.

BY MR. BRUNNING - Mr. Chairman, this report we have just filed will correct these figures, which were true at the date this Brief was prepared.

MR. O'BRIEN continued Brief.

All these steps helped to ease the emergency conditions and, with this easement, the Board instituted a stricter system of control over the assistance granted. It was a fact that a portion of the difficulties under which the operators suffered was due to action by Government in other forms, for example, the levelling-up of wages in some areas, the absorption of the cost-of-living bonus in the wage rates, etc. Careful calculations were made of the effect of these actions on the cost of mining and, commencing on March 31, 1944, the original scheme of subsidy assistance was changed and a new method of granting aid by means of a flat rate subsidy per ton produced was put into effect. This flat rate was calculated on a field or area basis and was an amount sufficient to recompense the average operator of that field or area for any additional production costs incurred because of direct



Government action. This subsidy was granted only to those operators who could prove financial distress.

BY COMMISSIONER MORRISON - That was only applicable in Western Canada?

BY MR. BRUNNING - Western Canada and New Brunswick and a part of Nova Scotia.

MR. O'BRIEN continues Brief

This change in policy was based on the idea of placing more responsibility upon the operator to increase his efficiency, as, being a flat rate per ton, the greater the output the larger was the subsidy earned.

In application, the new policy has proved to be successful and the majority of the companies receiving assistance have bettered their production and financial position.

In conclusion, the actions taken by the Emergency Coal Production Board have been of vital importance in maintaining our coal production.

#### (H) CONSERVATION

No programme of production under present circumstances of labour shortage, increased requirements, transportation difficulties, etc., would be sufficient to meet the needs of the situation without impressing upon the consuming public the need for conserving every possible ton of coal. Early in the year 1942 booklets were prepared advising consumers how coal could be saved and these were distributed widely through the dealers. This practice has been followed every year since and a strenuous effort made to give the domestic consumer every assistance in reducing fuel waste.

In August, 1943, a Director of Conservation was appointed and Order-in-Council P.C. 6373 issued on August 11, 1943, making it an offence to waste fuel.

Since that time, through the trade and through other channels, a steady effort has been made to impress the necessity of conservation on every consumer. The Control has had the



co-operation of all industrial users, including the Railways, and it is probable that a large amount of wastage has been corrected. It is, of course, impossible to evaluate the savings, but there is no doubt that they have been considerable.

#### (J) CO-OPERATION WITH OTHER GOVERNMENTS

It is fitting that this Control should here, in formal fashion, place fully in the record the appreciation and gratitude due to the Government agencies in Great Britain and in the United States for the assistance and co-operation that has been so readily extended to this country throughout these last five years.

From the beginning of the war the officers of this Control and Administration have had the opportunity for the closest liaison with the authorities in London and Washington and have been fully advised of all future and prospective developments that might affect the Canadian fuel supply.

The great increase in the tonnages of coal and coke shipped to Canada are evident in the statistics and it has been only because of this coal that this country has been able to undertake and discharge the heavy obligations to supply arms and other supplies to our own Forces and to the United Nations.

The British authorities have done their utmost to maintain shipments of anthracite and particularly of the blowor coals that could not be replaced. The fact that these deliveries have declined cannot be a measure of the effort put forward by the exporters to maintain this supply at the highest level permitted by the exigencies of war.

Canada owes a deep debt of gratitude to the British and United States Governments and also to the British and United States producers and exporters for this great assistance and co-operation. These friendly actions should not be forgotten in setting any future policy and full credit should be given for this ready help in our time of danger.

It should also be recorded here that the Dominion Government has received the fullest co-operation from the appropriate Departments of the Provincial Governments throughout the period of administration and control. This co-operation has been most freely extended and the knowledge and assistance of the Mines Department of the Provinces has been of the utmost value.

4:00 P.M. HEARING ADJOURNED UNTIL OCT. 16, 1945, AT 10:00 A.M.



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ROYAL COMMISSION ON COAL

Ottawa, Ont., Tuesday, October 16th, 1945.

VOLUME LIV

WITNESSES:

C. L. O'Brian.....Pages 4926 - 4949  
E. J. Brunning..... 4950 - 4988

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ROYAL COMMISSION ON COAL

Ottawa, Ont.,  
October 16, 1945.

The Royal Commission on Coal convened in the Courtroom of the Board of Transport Commissioners, Ottawa, Ont., on Tuesday, October 16th, 1945, at 10.00 A.M.

## PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman

Hon. Mr. Justice C. C. McLaurin, Commissioner

Angus J. Morrison, Esq., Commissioner

J. J. Frawley, K.C., Commission Counsel

Robert D. Howland, Secretary

J. L. Cohen, K.C., representing the United Mine Workers of America

MR. C. L. O'BRIEN continues reading Exhibit 249, Submission by Coal Control on the Coal Industry of Canada:

(K) GENERAL SUMMARY AND OBSERVATIONS

1. Long Range Coal Policy may only be developed within an Overall Policy in the Future Trade of Canada

Coal is one of the main pillars of present industrial civilization and the supply of this commodity at an equitable cost is a matter that not only is of direct interest to the general consumer, but is an ever present factor in the production and distribution of the vast majority of other commodities which supply our present needs and fancies. Because of this general character of the material it is necessary, in considering the position in our national life, to review first the overall requirements before dealing with the subsidiary question of how much of those requirements can be filled from Canadian production.

As coal bulks so largely both in volume and in value in both internal and external trade, it would appear that the



position of the coal industry of Canada in future years cannot be defined without reference to the general trade policy of the country. Should Canada, after the war, develop an internal economy and, as a matter of policy, become as self-supporting as is possible with the resources available, it will be a natural development of such a policy to promote the production and use of Canadian coal up to the theoretical limit and to restrict imports of coal to classes or kinds that are definitely necessary for certain purposes and are not produced in Canada. If, on the other hand, this country is to direct her trade policy towards the development of an export system of economy, the position of the commodity--coal--must be considered carefully from two points of view.

First, if in addition to the sale of our surplus farm products and raw materials we are to sell manufactured or semi-manufactured articles on the open markets of the world and compete in the home markets with foreign made goods, the cost of these articles either in currency or in man days labour must be low enough to make them attractive to the buyer. As power and heat are two of the basic costs in practically every manufacturing process, it will be necessary for the manufacturer or processor to secure his requirements of coal at or about the general world price level.

Secondly, as, in the final analysis, exports would have to be paid for with imports, this country would have to consider what commodities or manufactures could be imported with the greatest benefit to the country as a whole and which would not be harmful to the general economy. As coal does take such a prominent place in trade it will, of necessity, be one of the chief commodities to be considered in such an approach. It is obvious that these questions are far beyond the capacity of Coal Control and are, by their nature, matters of far-reaching Government policy. It is, however, respectfully submitted that unless and until some indication can be secured of future policy



upon these fundamental points it will be practically impossible to define any comprehensive long range policy on coal.

## 2. Necessity for Low Cost Coal

Whether the future trade of the country follows the line of internal or of external economy, it will always be necessary to keep the costs of all raw materials down to the lowest economic levels if the products of the manufacturing processes are to find ready markets. If, for example, in any section of the country it takes the labour for one day of twenty-five men to produce a car of coal, the return on that car, in the form of commodities, will have to be sufficient to provide these twenty-five men and their families with their daily requirements of these same commodities and also to provide a surplus in the form of the capital goods required to maintain the production of the mine. If, then, in another section this same car can be produced by the labour for one day of only fifteen men the demand upon the general stock of commodities will be that much less. The example above is deliberately chosen as a way of saying that the cost of coal to any consumer should be held to the minimum if there is to be any stable basis for trade.

It is respectfully submitted that in the overall economy of the country the cost of this basic raw material to our industry and railways is of great importance and that this phase of the problem merits the fullest consideration.

## 3. Necessity for Low Cost Energy and Choices between Coal, Oil and Hydro-Electricity

There is, however, a further complication in Canadian practice. The use of steam as a prime motive force has been superseded to a great extent in our manufacturing establishments by the development of low cost hydro-electric power. Even in the field of heating, where coal has held its own in many areas, there are others where steam for process heating is being produced more cheaply from secondary hydro-electric power. The future position of the oil industry is uncertain at the present



time but it has cut into the markets for coal before the war in many ways and was beginning to encroach upon the largest remaining coal consumer, the railways, through the development of the Diesel locomotive.

There will be an overall requirement in Canada in manufacturing, transportation and domestic heating for some specific quantity of energy. The proportion of this energy requirement to be supplied by coal will depend upon the relative cost when all factors of efficiency, continuity of supply, etc., are fully considered. If the energy requirements of the country increase beyond the present capacity of the producers of that energy, it will be necessary to make further capital commitments to provide the additional quantity.

Whether it is in the national interest to invest this capital to utilize the undeveloped water power that with proper management will continue to produce power indefinitely or to use the capital to develop and produce coal from areas where it can always remain dormant as a future national asset is also a question of wide policy but one that must be fully considered in relation to the coal industry of the country.

The main point in this argument is the necessity for low cost energy in all our heat and power consuming functions. This energy is to some extent interchangeable and the determination of the form in which it is to be produced is one that requires close investigation. Secondly, and dealing with coal alone, the cost of coal, whether measured by dollars or by human effort, must be kept down to a low limit if it is to maintain its present basic position as a producer of power and heat in manufacturing.

#### 4. Strategic Reasons for Maintaining Canadian Coal Production by Government Action

Turning now to the more specific question of Canadian coal production there are some basic reasons why Canadian mines should be maintained at a level of productive capacity over and



above the level that would be dictated by considerations of economic efficiency only.

There are in the Maritime Provinces many essential industries, and particularly the Sydney steel works, that depend upon coal. There is also that vital rail link connecting the interior with the all-weather port of Halifax. Twice within this generation, the Cape Breton mines have been pressed to the limit to supply the needs of these basic elements of our national defence. It would seem to be a strategic necessity that these mines should be maintained at some definite level of potential productive capacity. This, in turn, considering the type of mining, means that training and work must be provided there for a sufficient staff of qualified miners to produce those quantities of coal required under extraordinary circumstances to supply Maritime requirements. Under peace conditions this quantity of coal will be more than is required in the local area and, if the premise above is accepted, some means must be found to market this extra production. As the maintenance of the steel plant, the communication link with Halifax and a supply of coal for Newfoundland are all parts of the defence not only of Canada but of the whole North American continent, this is a matter of strategy that affects the United States as well as ourselves.

It is submitted that this question is one that merits full consideration by the Commission and that both the determination of the optimum level of production and the means adopted of marketing the surplus in times of peace are problems upon which some definite policy must be established.

Turning from the Maritimes to the Western areas, the same considerations apply to the production of bituminous coal by our mines in the Mountain area. These mines are the chief source of power for our railways and experience has proven twice in thirty years that we cannot afford to depend upon supplies from the United States in times when heavy demands in



United States factories reduce the surplus usually available for export. There would seem to be no need to draw the same conclusions with regard to the mines on Vancouver Island, as it is obvious that these considerations are also applicable here.

From the survey already presented of the changes in the supply of coal during the years between the wars, the conclusion can be drawn that the subvention policy has served this country well. If it had not been for this assistance many mines would have gone bankrupt, the pits would have closed and fallen into disrepair, the qualified labour would have been lost and there would not have been the slightest chance of increasing our production to meet the demands of war. As it was, the subvention policy did maintain the mines in operation, did provide work for some 4,000 to 5,000 men out of the total of some 25,000, and did allow the country to possess a fully staffed and developed industry at the outbreak of war. The mines were then in good condition and were capable of producing almost 20,000,000 tons annually if the manpower had been made available. It is not the fault of the subvention policy that our production has fallen since 1942, but is the natural result of the reduction in staff arising out of the enlistment of miners in the Armed Forces of Canada.

These arguments are respectfully submitted as worthy of the fullest consideration by the Commission both to define a policy and to set the limits of production that should be maintained to meet the requirements of the policy.

5. Relation between Government Assistance and Low-Cost Production. Necessity for Some Body to Develop Efficient Production

If the foregoing is accepted and if it is considered opinion that strategical necessity requires the maintenance of Canadian coal production at a level over and above the necessities of the local areas, the next problem is the means to be adopted to provide markets in adjacent areas for surplus coal.



If the earlier argument is also accepted, that it is also necessary that coal be supplied to Canadian industry in these adjacent areas at a price comparable with that of their competitors in the world market, some means must be developed that will allow for the production and marketing of this coal and still protect both the standard of living of the miners and the capital position of the mines. This must mean some form of Government assistance, the payment of certain funds out of our national revenue as a form of insurance against future shortages in coal supply.

Inherent in this problem is the cost of production of Canadian coal. The largest portion of the cost of production of a ton of coal is the labour factor which accounts for almost sixty per cent of the total cost. This labour factor can also be measured in another way, the tonnage of coal produced per man day of effort and a study of the changes in this factor over the last five years is both instructive and disheartening. The output per man day is a measure of both the effort exerted upon the part of labour, the mechanical equipment of the mines and the physical condition of the coal seam.

If the country is to continue to grant financial assistance to maintain the production of coal, the amount of the assistance required to market any certain tonnage varies with the efficiency of production of that coal. It is consequently a question of considerable importance that this efficiency be maintained at the highest possible level both by the provision on the part of the operators of the latest and best mining machinery and by the realization on the part of labour of the necessity of maintaining that level of effort that will hold our production per man day at the optimum level.

This thought was submitted in the recommendations made by the Fuel Controller of the last war and is fully as applicable today. It is respectfully submitted that there should be some continuing body whose responsibility it should be to



develop and oversee the efficiency of the production of Canadian coal.

6. Effect of Wage Increases upon Cost of Production, particularly in the Maritimes, and Need for Study of these Considerations

The effect of the wage increases awarded by the O'Connor Commission and the National War Labour Board upon the competitive position of Canadian coals and the amount of assistance that would be necessary to move these coals into the Central market is a subject to which the Commission might give some attention. The approximate costs of these awards per man per day are \$1.40 in Western Canada and \$1.20 in the Maritimes, the difference being the extra one week's holiday awarded in the West.

MR. O'BRIEN: Here again, Mr. Chairman, I may add that this is previous to the award of the 33 cents this summer. (Continues brief):

These increased costs per man day, when calculated to a per ton basis, amounted to forty cents per ton in Western Canada, where production is about three and one-half tons per man day, and about eighty-three cents per ton in the Maritimes, where the production per man day is about 1.6 tons but where the auxiliary pier workers were included in the award, increasing the total cost per ton. The increase of forty cents per ton in the case of the Western coals will probably not affect the competitive position as against United States coals nor the amount of assistance necessary per ton, as the United States coal will also be up in price to some extent. In the case of the Maritime coals, however, the increase of eighty-three cents is more serious, particularly as the majority of the tonnage moved under assisted rates in peacetime is Maritime coal. This means, in effect, that the assistance necessary to move the same amount as in 1938 or 1939 will be eighty-three cents per ton more due to this condition alone or a total increase



from this cause of some \$2,045,000 based on 1939 assisted movements.

As this extra cost is a function of the efficiency of production or the tonnage produced per man day, it is respectfully submitted that some special study should be given to this question, particularly in the Maritime Provinces. If means could be developed to increase the production per man day in these fields to some three tons per man day, the amount of assistance necessary would be much reduced. There is some limit to the assistance that can be paid equitably out of public funds when considered in relation to the benefits secured and this point of the efficiency of production must have a very definite relation to this general question.

#### 7. Necessity for Standard Accounting Practice

In the experience of both the Dominion Fuel Board in the administration of the subvention policy and the Emergency Coal Production Board in the granting of financial assistance one of the greatest handicaps has been the many different practices of accounting followed by the operators. If it is deemed advisable to provide some financial assistance to market our surplus production, it is respectfully submitted that the Government, as the source of this assistance, may properly require the industry to confer together and in conjunction with the advice of some modern accounting experts, set up a uniform and equitable system of accounting that would present a true picture of the actual costs of production of each operation not only to the Government but also to the operator himself. This point was also recognized by Mr. Magrath in 1919 as of definite importance and his recommendation is echoed here as having been fully substantiated by the experiences of the intervening years.

BY THE CHAIRMAN: I was going to ask you, Mr. O'Brien, when you finished, but perhaps this is a good place: that recom-



mondation of Mr. Magrath's was never given effect? There was no effort made to standardize the accounting system?

MR. O'BRIEN: There was no concerted effort to standardize it. The Dominion Fuel Board, I think in 1933, did start to collect costs from the various mines, and did set up a standard of their own by which these costs might be judged, but that system was never carried back by the mines themselves to their own accounts, and whether the figures we get present an accurate picture or not can only be judged by comparing them with the mines' themselves.

Q And the other recommendations of Mr. Magrath didn't receive even that consideration, did they?

A Well, sir, it is open to argument that the Dominion Fuel Board might be considered as at least a partial measure in answer to Mr. Magrath's recommendation. Undoubtedly his recommendation played quite a part in the setting up of the Fuel Board, although a committee of the House was probably the prime mover, but Mr. Magrath's recommendation did have some bearing.

MR. BRUNNING: I think it should be mentioned that the Dominion Fuel Board was purely an advisory body and did not have the opportunity to carry out in full the recommendations of Mr. Magrath.

BY MR. FRAWLEY: There never has been a body set up to discharge all of the functions that Mr. Magrath thought should be committed to such a body?

BY MR. BRUNNING: That's right.

MR. O'BRIEN continues brief:

8. Research and Development of Domestic Heating Equipment and Suitable Fuels

The foregoing observations cover either the industry as a whole or that section providing coal for steam, power or industrial purposes. The smaller but important phase of the production and supply of coal for domestic use is a much more difficult matter.



On the assumption that the level of national income will be held at an adequate level, the average domestic consumer will purchase that fuel to heat his home that offers the most tempting compromise between cost and ease of operation. In other words, the supply of house heating fuel to the domestic consumer is not properly the movement of large tonnages of this or that kind of coal, but will require considerable research and investigation into the costs, efficiencies and operating procedures of the competitive types. That this approach can be made fruitful is evident in the history of the development of coke as a domestic fuel, following upon the investigation of this question by the Dominion Fuel Board.

Domestic heating has advanced considerably in the last twenty-five years, but choice of the most satisfactory equipment or fuel is still somewhat confusing. The outstanding factor is the desire of the consumer for that fuel that will supply adequate heat with the least necessity for exertion on his part. Oil burners, gas furnaces, and stokers all bear witness to this trend and the main problem is not whether this or that coal can be made available in a certain area but whether coal can be sold to the consumer to be burned in a fashion that will meet his desires for ease and comfort.

The development of heating and coal burning equipment is a matter for long technical research and it is respectfully submitted that this question of the supply of domestic fuel might be referred to some body set up by both Government and the industry similar to the Committees or Associations presently in being in England and the United States.

9. Necessity for Some Government Body to  
Maintain Touch with Coal Problem

In all the foregoing observations and submissions there is the implication that all these matters having to do with the supply, production and consumption of this basic commodity are such as to require the continuing interest of some branch of Government.



It has been a matter of experience among most of the nations in an advanced state of industrial civilization that the problems connected with the coal industry could not be left to solve themselves. Coal has been proven time and again to be such a basic factor in the industrial life of the nation that some supervision by a central body has been necessary. This is exemplified in various ways in Great Britain, the United States and Germany. In Canada, in both wars, it was found necessary to set up Controls and in the period between the wars the Dominion Fuel Board was set up to maintain close touch with the industry even though it was only a consultative and deliberative body. Recognition of the necessity of some such body was also afforded by the creation of the Fuel Committee of the Cabinet.

Experience over the past decades has shown the necessity of some protection of the public interest in the supply of such basic necessities as power, water, fuel, transportation, communications, etc. The means for maintaining this protection have varied considerably in different democratic countries.

In Canada the Board of Transport Commissioners has wide powers in the field of transportation and the Dominion Fuel Board has functioned for many years as a consultative body with the added duty of administering the payment of Government funds when such assistance was found necessary for the industry. The Air Transport Board and the Wheat Board are also examples of the same trends, as well as the various means adopted by the Provinces to protect the supply of electricity to their citizens.

It is respectfully submitted that the question of the necessity of setting up some arm of Government to maintain interest in the coal problem is of outstanding importance. It is also submitted that the duties and responsibilities of such a body are also subjects that merit the closest consideration on the part of the Commission.



In conclusion, this brief and memorandum are submitted with the intention of placing before the Royal Commission the broader questions inherent in the coal industry. It is believed that those interested in the particular details will submit their arguments to the Commission and it is not the part of this Control to make any particular submissions upon sectional or individual problems. These problems can only find an adequate solution within the framework of an overall policy developed from a careful study of the fundamental phases of the problem. It is the hope of the Controller that this presentation may be of some assistance to the Commission in its study and development of these fundamental phases.

#### APPENDIX "A"

##### THE RESPONSIBILITIES OF COAL CONTROL

Shortly after the outbreak of war on September 3, 1939, the Wartime Prices and Trade Board was set up to provide safeguards against the increases in cost of food, fuel, and other necessities of life and to ensure adequate supply and equitable distribution of these commodities.

On October 18, 1939, a Coal Administrator was appointed by Order-in-Council under the Wartime Prices and Trade Board to administer coal problems as they arose as a result of the war.

In the early months of 1941 it became apparent that the duplication of endeavour between the Coal Administrator and the Dominion Fuel Board was creating difficulties of administration. The Government, therefore, by Order-in-Council P.C. 27-4600, on June 25, 1941, transferred the duties, functions and establishment of the Dominion Fuel Board to the Coal Administration for the duration of the present war.

In the latter part of 1942 it became increasingly evident that there was a grave danger of a coal shortage due to the increasing cost of production incident to the war and that



many mines would go into bankruptcy and shut down if financial aid were not provided. On November 23, 1942, by Order-in-Council P.C. 10674 the Emergency Coal Production Board was formed, the Coal Administrator being appointed as Chairman of the Board.

By the early months of 1943 it was apparent that the supply position was becoming grave and as supply was more within the function of the Department of Munitions and Supply a transfer was made of the duties and responsibilities of Coal Administration to that Department. This was accomplished on March 5, 1943 by Order-in-Council P.C. 1752. The Coal Administrator under this Order became Coal Controller.

On transference of Coal Administration to Coal Control the Coal Controller became Chairman of the Emergency Coal Production Board. A breakdown of the responsibilities and duties of the Coal Controller and the Chairman of the Emergency Coal Production Board follows.

(a) Dominion Fuel Board

- (i) The payment of subventions on the movement of coal and administration of Orders-in-Council governing such movements.
- (ii) The administration of the Domestic Fuel Act and Act 20-21 Geo. V and payments thereunder.
- (iii) Maintaining ordinary peacetime work and contacts, some of which have direct bearing on the war effort (e.g. production costs)

(b) Coal Administration

- (i) The maintenance of the price ceiling on coal for domestic consumers, industrial, railway and others.
- (ii) The payment of subsidies through Commodity Prices Stabilization Corporation Limited to maintain ceiling prices on coal (import subsidies).
- (iii) The licensing of coal dealers as per Order of the Wartime Prices and Trade Board No. 1.
- (iv) Statistical records and tabulations of prices, sales and stocks of coal.
- (v) Same data in respect to coke.
- (vi) The maintenance of adequate supply to the domestic population.



- (vii) The administration and payment (through the Commodity Price Stabilization Corporation Limited) of assistance in respect to cost-of-living bonus.

(c) Coal Control

- (i) The control, maintenance and increase of coal production in conjunction with the Emergency Coal Production Board. At present Coal Control functions in an advisory and assisting capacity.
- (ii) Control and maintenance of coal imports.
- (iii) The distribution or allocation of available coal in Canada to war industry, railways and other industry.
- (iv) The allocation of Canadian coal to export markets and bunker supplies.
- (v) The overseeing and allocation of coal supplies to the Armed Services in conjunction with the Purchasing Division of the Department of Munitions and Supply.

(d) The Emergency Coal Production Board

- (i) Maintaining and stimulating production of Canadian coal, lignite, coke and peat.
- (ii) The opening and operation of new coal, lignite, coke and peat operations.
- (iii) Prohibiting or limiting operation of inefficient mines or plants.
- (iv) Directing the production policies and methods of coal mines, etc.
- (v) Making recommendations to the Minister for the procurement or transfer of labour.
- (vi) Providing financial assistance to maintain or increase production and payment thereof.
- (vii) Suspending rules, regulations or laws impeding maximum production.
- (viii) Requiring adoption of production bonus or incentive plans.



APPENDIX "B"Retail Sales of Coal in Ontario and Quebec

(Net Tons)

	<u>1932</u>	<u>1940</u>	<u>1941</u>
United States Anthracite Domestic	1,511,000	1,965,000	2,303,000
	25.2%	27.3%	30.0%
United States Anthracite Buckwheat	180,000	382,000	604,000
	3.0%	5.3%	7.9%
British Anthracite Domestic	619,000	368,000	370,000
	10.3%	5.1%	4.8%
Foreign Anthracite	37,000	0	0
	.6%		
Total Anthracite	2,967,000	3,234,000	3,565,000
	49.5%	44.9%	46.5%
U. S. Bituminous (High Volatile)	852,000	1,485,000	1,701,000
	14.2%	20.8%	22.2%
U. S. Bituminous (Low Volatile)	402,000	670,000	723,000
	6.7%	9.2%	9.4%
British Bituminous	45,000	0	0
	.7%		
Canadian Bituminous	273,000	544,000	519,000
	4.6%	7.5%	6.8%
Total Bituminous	1,572,000	2,709,000	2,943,000
	26.2%	37.5%	38.4%
Canadian Coke	866,000	898,000	799,000
	14.4%	12.4%	10.4%
United States Coke	490,000	234,000	162,000
	8.2%	3.3%	2.1%
Petroleum Coke	49,000	27,000	23,000
	.8%	.4%	.3%
Total Coke	1,405,000	1,159,000	984,000
	23.4%	16.1%	12.8%
United States Cannel, etc.	12,000	38,000	45,000
	.2%	.5%	.6%
Canadian Domestic	27,000	49,000	102,000
	.5%	.7%	1.3%
Briquettes	15,000	21,000	31,000
	.2%	.3%	.4%
Total Miscellaneous	54,000	108,000	178,000
	.9%	1.5%	2.3%
Grand Total	5,998,000	7,210,000	7,670,000

NOTE: The year noted as 1940 is actually the 12 months April, 1940 - March, 1941, and there is therefore some overlap with the 1941 year. All others are calendar years.



APPENDIX "B" (Cont'd)Retail Sales of Coal in Ontario and Quebec

(Net Tons)

	<u>1942</u>	<u>1943</u>	<u>1944</u>
U. S. Anthracite Domestic	3,356,000	2,974,000	2,769,000
	39.1%	31.1%	32.8%
U. S. Anthracite Buckwheat	728,000	894,000	759,000
	8.4%	9.6%	9.0%
British Anthracite Domestic	76,000	92,000	23,000
	.9%	1.0%	.3%
British Anthracite Buckwheat	180,000	202,000	117,000
	2.1%	2.2%	1.4%
Foreign Anthracite	0	0	0
Total Anthracite	4,340,000	4,162,000	3,668,000
	50.5%	44.7%	43.6%
U. S. Bituminous (High Vol.)	2,092,000	2,861,000	2,428,000
	24.4%	30.8%	28.8%
U. S. Bituminous (Low Vol.)	882,000	1,062,000	847,000
	10.3%	11.4%	10.1%
British Bituminous	0	0	0
Canadian Bituminous	314,000	161,000	58,000
	3.7%	1.7%	.7%
Total Bituminous	3,288,000	4,084,000	3,333,000
	38.4%	43.9%	39.6%
Canadian Coke	482,000	571,000	933,000
	5.6%	6.1%	11.1%
United States Coke	204,000	385,000	383,000
	2.4%	4.1%	4.5%
Petroleum Coke	13,000	11,000	21,000
	.1%	.1%	.2%
Total Coke	699,000	967,000	1,337,000
	8.1%	10.3%	15.8%
United States Cannel, etc.	73,000	94,000	82,000
	.8%	1.1%	1.0%
Canadian Domestic	153,000	3,000	7,000
	1.8%		.1%
Briquettes	34,000	1,000	3,000
	.4%		
Total Miscellaneous	260,000	98,000	92,000
	3.0%	1.1%	1.1%
Grand Total	8,587,000	9,311,000	8,430,000



BY THE CHAIRMAN: There are just one or two questions I wish to ask. This International Geological Congress that made this survey in 1913, was the personnel of that Canadian or was it ---

MR. O'BRIEN: The report prepared on Canada's coal resources was by members of the Canadian Geological Survey. Dr. Dowling, I think, was the man chiefly responsible for that. The Congress, if I remember correctly, was held to review the coal resources of the world and each country was asked to submit an inventory of their coal resources, based on certain conditions laid down in order that they might be comparable.

Q Was that the body that defined the three divisions of our coal resources: the possible, the probable and the actual?

A I believe so. I would wish to check back on the reports of the Congress but my understanding is they were the ones who set up that as a rule so that the reports would be comparable.

Q I have always thought myself so far as giving any real knowledge about our coal resources that that is very poor.

A You are quite correct, but on the other hand you must bear in mind that this was a Geological Congress, in some ways more interested in the geology of the coal-bearing strata than in the actual availability of coal for production.

Q You think it is certainly time that we had a re-survey of the coal resources?

A That is what we are trying to get at.

MR. BRUNNING: I think it should be mentioned that the real, practical thing from the national viewpoint is not the quantity of coal that is estimated to be underground but the quantity of coal that can be extracted commercially with modern mining practice.

BY THE CHAIRMAN: Now on page 12, the bottom of page 12: "As the production, provision and marketing of coal is a



matter of overall national importance, it would seem that the subject should be a matter of discussion and review in the next Dominion-Provincial Conference and some policy of co-operation evolved whereby the production and the marketing can be held in close correlation in the future." I presume that your Board will be making some representations, will they, as to that?

MR. BRUNNING: That question was mentioned before the recent Dominion-Provincial Conference and it was felt that there was such a big agenda that it had to be delayed to a later time.

Q Well, it does seem to me that if the Dominion treasury is going to pay out money for the benefit of the coal industry, which includes miners and everybody else connected with it, that they certainly should have a larger control, I would say almost the same control that the Provinces exercise over coal today.

A There has got to be greater co-operation than exists under the present set-up.

Q On page 19 at the top of the page, "It is solely a statement of a basic fact restricting coal production and increasing costs and, therefore, possibly deserving further investigation by competent authority." You are speaking there of absentecism. Now I suppose that the engineering staff, with the assistance of the Labour Department, would be a proper and competent authority to deal with that?

A Are you thinking, sir, of the engineering staff of the Emergency Coal Production Board?

Q Yes.

A I would like to point out that the Emergency Coal Production Board is a temporary and emergency organization, and while it has a competent engineer advising on those matters there is no continuity, there is no assurance of continuity, that that Board will continue.



Q On page 35 you say something about the competition of oil and coal. Has any department of which you gentlemen know anything made any investigation as to the comparative costs of hydro power and coal in creating power?

MR. O'BRIEN: Particulars of both hydro-electric power and fuel oil seem to be in a state of flux at the present time; similarly coal. The price is in a state of flux due to wage increases and material costs, and there are no recent comparisons, but we have on file comparisons based upon the cost that existed in pre-war times.

Q I have some information to indicate that the Halifax Heat and Power Company--they supply most of their power through a pretty well developed hydro business down St. Margaret's Bay--I think during the war they built a coal power plant and their costs for producing power by coal, notwithstanding the increase that you mentioned in the case of coal, the cost of their power produced from coal is cheaper than that from hydro.

MR. BRUNNING: As an engineer I have come across many instances of that. The matter revolves around the point of whether the interest on the investment of a hydro-electric plant is more or less than the operating cost of a plant operating from coal. That varies in different localities, depending upon the cheapness of developing your hydro-electric power and the laid-down price of coal.

Q I would not think that would be probable myself regarding, for instance, the development of hydro and coal power in the central provinces, Ontario and Quebec?

A I can't answer that question directly, sir; it requires investigation by engineers. But it is a fact that the city of Buffalo in the United States, despite its close proximity to Niagara Falls, which is a source of very cheap hydro-electric power, did and is still operating a steam station competitively with hydro-electric power from the Falls.



Q Where could we go, Mr. O'Brien--perhaps we have somebody on our own staff who could do it--to get the increase of national income, if any, that was brought about by the assistance given to coal by the larger movement of coal East-West and West-East?

MR. O'BRIEN: I think, Mr. Chairman, that would have to be developed from our records in conjunction with such members of your staff as you choose to appoint.

Q There is just one more thing. I asked you yesterday something about the increase in use of Canadian coal brought about by subventions and tariffs which started about 1931 or 1932, and you were good enough to tell me that you had a memorandum prepared.

A We have some figures, Mr. Chairman. I will see it is submitted to Mr. Frawley later. I have only one copy here. In 1930, which is the year that subventions really started, the total percentage of Canadian fuel supplies coming from Canadian mines was 44.30%. The total foreign bituminous was 42.25 in the same year. By 1933 the Canadian percentage was 50% and the foreign bituminous had fallen to 36.7%. I think it is fair to assume that the increase of 6% in the Canadian mined supply to meet the total requirement was largely due to the subvention policy.

Q And it is impossible, I suppose, to break down--in 1931 the tariff was increased--I suppose it is impossible to break that down between them?

A I think it is. I wouldn't like to break down between the tariff and subventions.

MR. BRUNNING and MR. O'BRIEN sworn by the Chairman in regard to facts, opinions expressed and information given to be founded on a reasonable basis.



EXAMINED By Mr. Frawley.

Q Mr. Brunning, on page 9 you make the statement that "Whereas in 1914 some 39% of the total Nova Scotia output was shipped to Quebec, in 1918 this had fallen to only 3%. By various means this lost ground was recovered in the years between the wars and the coal again moved freely to the St. Lawrence depots." Would you mind elaborating on that to some extent, to indicate just how that ground had been recovered and to what extent it had been recovered before any subvention was introduced?

MR. BRUNNING: Being before my time as Coal Controller I would like Mr. O'Brian, who is a permanent member of the staff, to answer that question.

MR. O'BRIAN: I would say first of all by the provision of new boats, good transportation; in other words, cheap transportation cost on the part of the chief companies concerned, and the provision of large coal docks at Montreal that could handle the coal efficiently, store it, screen it and deliver it to the customers at competitive prices.

Q I call your attention to these figures which you have been good enough to give me, showing that in 1921 Nova Scotia shipped to Quebec and Ontario over 800,000 tons. In 1922 it had gone up to 1.4 million tons; in 1923, 1.5 million; in 1924, 1.6 million. In 1925 it dropped down to 812,000 because of a strike. In 1926 it was up to 1.9 million tons; 1927, 2.2 million and in 1928, 2.3 million tons. Now when was the first coal moved under subvention?

A 1928 the first order-in-council was passed.

Q In view of that situation, why was it necessary to give subvention assistance to Nova Scotia coal moving into Ontario and Quebec?

A That, I assume, was a matter of Government policy.

Q Are you able to throw any light on it? I thought, perhaps in my ignorance, it was because the coal was not moving.



A That is a matter of opinion based purely on the records. A committee of the House of Assembly in 1922 or 1923 was greatly interested in the development of Canadian coal for Canadians, and if I remember correctly, one of the recommendations was that some steps be taken to ascertain the cost of moving Canadian coal to the consuming central markets, and the first order-in-council moving Nova Scotia coal during the summer months was an effort to ascertain the cost of such a movement.

Q Perhaps by a process of elimination we can do it. It doesn't look as if it were to cure any widespread condition of unemployment?

A No.

BY THE CHAIRMAN: I think it was. The mines in Nova Scotia at that time were only working part-time, and in the winter time not very much at all, and my recollection is that coal subvention was to get a greater market for coal, and to assist the company, of course, and to give more work to the miners of Cape Breton, whose increase was becoming abnormal and there wasn't work for all of them.

BY COMMISSIONER MORRISON: Part-time and at \$3.60 a day.

BY MR. FRAWLEY: It still was \$3.60 after a good many millions of tons moved under subventions.

BY THE CHAIRMAN: A man's income--he may work one day for \$100 and that is the end of his work for the year, but this was to give a more or less continuous employment to the people both East and West.

BY MR. FRAWLEY: Well, in any event, Mr. O'Brien, the statement in this brief that the lost ground was recovered in the years between the war, it seems clear from the figures that the ground was recovered without the help of subventions?

MR. O'BRIEN: As far as the movement to Quebec is concerned.

Q And it moved up into Montreal Harbour without any Government assistance?



- 1 Up the St. Lawrence Valley; not Montreal Harbour. That is the total shipments to Quebec.
- Q Coal has always moved without any aid up as far as Montreal by water?
- A Some coal has, yes.
- Q There has never been any aid to water-borne coal from Sydney to Montreal?
- A There has been for specific purposes, for use by the coking plant where a special grade of washed coal had to be supplied.

BY COMMISSIONER McLAURIN: And I suppose that coal would be taken to Montreal with possible furtherance?

A That is correct.

BY MR. FRAWLEY: Coal that would not have been taken to stay there?

- A Yes. And further, due to war conditions and the decrease in water transportation it has been necessary under these conditions to pay assistance to Montreal.
- Q I am reminded of something. Mr. Neate is coming along with a brief on the business of the Dominion Fuel Board, and perhaps I should keep back some of those subvention questions until he comes?
- A He would probably fit in better with the whole subvention picture.
- Q I am sure you have a complete knowledge of it and I am quite prepared to go ahead, but I think since Mr. Neate is coming it would probably be repetition. Now, Mr. O'Brian, or Mr. Brunning, at page 11 the statement is made that "the markets available on any ordinary commercial price basis have not been sufficient to maintain the optimum rate of production and it has been necessary for Government to provide financial assistance to widen these markets." Oh well, now, that is another subvention question really, isn't it? We will keep that for Mr. Neate.

MR. BRUNNING: There is one point there, Mr. Frawley, you might like on the record and that is that in the production of coal



you get a certain amount, say 50%, of coal that is marketable in the area contiguous to the mines, and it doesn't necessarily follow with the slack coal or fine coal that a market can be found in that area, and shipments to Montreal and the other markets have been largely those fines that no market is available for in the Maritime Provinces. I don't know if that bears any interest or not.

Q Yes, it does. You speak about the idle time in the Cape Breton mines in the spring of 1942 and you say that "this loss was heaviest among the qualified producers and the production from the Cape Breton mines has never recovered from the effect of this decrease in the producing staff."

BY MR. COHEN: What page is that?

BY MR. FRAWLEY: Page 20. Now later there was some demand for the bunkering of British Admiralty ships on the East Coast, but that had not apparently become a large factor in 1942?

A No sir.

Q And I think your statement is interesting because you say that that loss there is something which has persisted, and the consequences of that have persisted right through and perhaps to some extent account for the present situation?

MR. BRUNNING: That is perfectly true, Mr. Frawley. There is still a shortage of face workers in the Nova Scotia mines. There are still many longwalls, fully equipped, which if the face workers were available would augment the supply of coal from Nova Scotia mines.

Q You say in this paragraph that that unemployment condition, together with the patriotism of the coal miners down there, combined to produce a heavy enlistment in the Armed Forces and the working forces of the mines fell off very heavily, and you say that that condition and its effects still persist, and the point I am making is this, if there had been earlier bunkering of British Admiralty ships on a large scale on the East Coast, and perhaps earlier war industry in



the Maritime area, probably those mines would not have suffered from lack of working force and the conditions today might be quite different?

MR. O'BRIAN: That is a reasonable assumption.

Q The coaling of British ships didn't reach a large scale until later?

A The coaling of British ships with Canadian coal never reached a very large scale. They had to be bunkered with Welsh or low volatile American coal. Canadian coal being high volatile produced too much smoke, and with the danger of submarines the Admiralty refused to allow the ships to be bunkered with Canadian coal. There was quite a large amount of bunkering for the coastal traffic, to Newfoundland--there always is-- fishing vessels.

Q I thought there was a large increase due to British vessels coaling here?

A Not in Nova Scotia coal itself, in the shipments of coal brought in there was a large increase. The Admiralty would not consider the Nova Scotia coal on the Atlantic run.

Q Coal was brought in and banked especially for coaling purposes?

A That's right.

BY THE CHAIRMAN: In connection with the regaining of the Montreal market, regaining a large portion of it, there was a factor which had some effect on the very matter raised by Mr. Brunning. They were looking for a market for slack coal, and the duty on slack coal was levelled up in 1923 or 1924 from 12 cents up to the normal 50 cents tariff, which helped I think a bit; I don't know; I am not a great proponent of tariffs - except on coal.

A There again I think Mr. Neate would have the whole story on that, as being in the Fuel Board from that date.

BY MR. FRAWLEY: At the bottom of page 27 and top of 28 you are discussing the British Columbia situation. Now we have had a lot from the big operator out there about the competition from



fuel oil. Just let's assume now--nobody has assumed it, but let's assume that in some fashion fuel oil was legislated out of business on the West Coast. Would the mines out there be able to take care of the situation?

MR. BRUNNING: Before the war, I would say yes, but during the war, no. If we maintain the present level of industrial activity it would still be no after the war.

Q There is more or less a production problem on Vancouver Island?

A Yes, there is a production problem which is being investigated by the company in the development of new mines to increase their production.

Q And one of the things they have done is to develop a property in Alberta to supplement falling production and difficulties of production on the Island?

A That is correct, for domestic coal.

BY COMMISSIONER McLAURIN: Prior to the war they would be able to supply the local market?

MR. BRUNNING: Prior to the war, from the figures that I have seen, that would be my opinion.

BY MR. FRAWLEY: Have you any remark on that?

MR. O'BRIAN: No, I think that is correct. With the manpower they had available, the mines were operating on short time. If the mines had operated at capacity, with the manpower available and with the development they would have been able to put in, I would think they would come very close to supplying the local market.

BY MR. FRAWLEY: I think that matter of some interest to the Commission in coming to a conclusion about coal versus oil. Would you let us have a memorandum on that particular problem?

MR. BRUNNING:

A I would condition my answer on this one fact, that the sizes would have to be balanced. You can't expect a mine to start



in and produce domestic coal unless there is an available market for slack. I would presume that pulp and paper mills using oil would take slack.

Q When I said that nobody assumed they would be completely legislated out of business, I mean the coal company, I think, merely propose that something be done to give them a larger share of the market. The difficulty is that any tariff treatment of this question has got to be done all across Canada, and to give a partial lift to the British Columbia condition one has got to take the consequences of that treatment all through Canada.

A Judge Macdonald in his report, sir, had something to say on that.



Q. Now you talk on page 27 of the seasonal nature of the operation in the Western domestic mines, and that has been a problem for a good many years?

A. That is right.

Q. Have you anything to contribute to the deliberations of this Commission, Mr. Brunning, indicating how that problem might be overcome if it is ever going to be possible to overcome it?

A. Mr. Frawley, the chief problem there has to do with the storage qualities of the coal, and I believe it is a problem that should receive very close attention by experts who can try and solve the problem. I don't think any information from any of us now would be worth very much, but there is a really difficult problem to be solved by those versed in the storage of coal and in the different heating qualities of coal dependent on their moisture content.

Q. It is not a production problem there in the Western mines? You have never really had a great production problem there?

A. No.

Q. And there are plenty of reserves fairly easily obtainable, so no production problem, as we know production problems, exists there?

A. No.

Q. And there is a fair degree of modern up-to-date mechanization?

A. Yes.

Q. So the problem is not one of production at all, but purely the inherent nature of the coal and the difficulties of marketing due to that?

A. Yes.

Q. So if the coal could be turned from a poorly weather-resisting coal into a good weather-resisting coal?

A. That would solve the problem if that could be done, but it needs very good technical advice.

Q. Briquetting, or turning it into a coal which would weather? But still we have the difficulties of what you call our national



geography, because if that coal, if the production could be stepped up to a point where it could reasonably take a share at least of the Western Ontario Market - could it not?

A. Without Government aid?

Q. No, it won't move at all without Government aid.

BY C. L. O'BRIEN - Dealing with the season, provided, as Mr. Brunning says, that the coal is developed into one that will store reasonably, it is only reasonable to suppose that the operators would offer a special price in the summer to the Western dealers to get that coal in stock, and to Western consumers to put their coal in in the summer, which they won't do at present.

BY MR. FRAWLEY - The ideal way would be to keep that coal out of Ontario altogether if a full Western market could be developed?

BY MR. BRUNNING - True.

BY MR. O'BRIEN - You say that is the ideal situation.

EXM. OF MR. BRUNNING BY MR. FRAWLEY (continued)

Q. We are discussing it more or less technically. The seasonal problem could be solved in that way in Western Canada without bringing in Ontario?

A. If it were made completely weather-resisting, then it could go into Ontario.

BY MR. O'BRIEN

The problem there would be the removal of the moisture content so that you could move more B.T.U's per dollar freight.

BY MR. FRAWLEY - That could only be accomplished by something in the nature of briquetting or carbonizing and briquetting?

A. I would prefer to keep the matter of production as distinct from the movement to Ontario.

Q. I simply meant having regard to economics, if you could develop a full market for Western domestic coal west of the Great Lakes, ordinarily that would be the place to keep it?

BY THE CHAIRMAN - Would that not stand up without briquetting. Could it not be treated so that it would stand weather conditions.

BY MR. FRAWLEY - It is not a domestic coal.



BY THE CHAIRMAN - I am talking of the domestic coal.

BY MR. BRUNNING - About treatments of the coal. We have had some experience in treatment with oil and calcium chloride in shipments of strip coal to Ontario. The application of oil or calcium chloride retards the disintegration of the coal, but does not prevent it for any length of time. It is good enough to get the coal down there during the period of three weeks in transit, but as a permanent measure it is my opinion that it would not be successful.

EXM. OF MR. BRUNNING BY MR. FRAWLEY (continued)

Q. On page 37 of the Brief the question is raised, that I would like to ask you to elaborate on a little bit. You raised this question of the strategic necessity of maintaining the Nova Scotia mines. What I would like to ask you to discuss is whether or not you mean there that the Nova Scotia mines must be kept at some definite level of production capacity so as to produce those quantities of coal required under extraordinary circumstances to supply Maritime requirements. That is what you say. Are you leaving the inference there that Government aid is required to keep those mines so producing that the constantly exaggerated demands of the next war could be supplied with minimum delay and consequent detriment of the armed forces of Canada?

A. That is one of the inferences, and the other is in case of a prolonged strike in the States it would be necessary to draw more heavily on the Canadian mines. There is also the fluctuating volume of business between depressions and booms. I would point out that a coal mine cannot be developed over night. You cannot turn the tap on and get coal. It takes a long period of development to get extra coal out of a mine, therefore in all countries of the world I think coal mines are kept at somewhat greater capacity than the normal demand.

Q. But in those other countries of the world they are kept there by virtue of their own efforts, I take it, and in Canada



that is only done by Government aid?

A. I would not say that that was a fair inference. The German Coal Trust did adopt measures to maintain mines in operation for various reasons which had nothing to do with costs so far as our investigations go.

Q. And were done with Government aid?

A. Under direction in one way or the other by penalizing other mines. I understand a trust was set up to which all mines contributed.

Q. At the risk of being repetitious, that was in the carrying out of this policy known as economic nationalism?

A. To a certain extent.

BY THE CHAIRMAN - It is the fear of war, and actions of that kind that necessitate the keeping of these mines at some capacity, it is not necessary to keep these mines at some capacity in the interest of the economy of Canada?

A. That is the opinion that we have.

BY MR. FRAWLEY - I want to take Mr. Brunning's statement and analyze it for a moment from the standpoint of strategic necessity, because that is the burden of that paragraph. Coal is a strategic necessity, but subject to what the Chairman has just said about the need for greater employment to maintain a high level of economy in Nova Scotia. Discussion strategic necessity of coal, that does not mean strategic necessity of Nova Scotia coal, or of British Columbia coal, or of Saskatchewan coal. You say coal is a strategic necessity to Canada?

A. As a whole. It is just as important to maintain production in the West so as to supply our needs in case of emergency or in case of war, as it is to have enough production in Nova Scotia.

Q. What I would like to ask you is this. If we are dealing with this from the standpoint of strategic necessity so that the mines can be heavy producers in the event of emergency, is it not enough that Government assistance should be provided to maintain mines in a condition that they could be worked when



that necessity arose, which would mean a system of keeping mines le-watered and properly maintained, and keeping sufficient staff there to be able to maintain production when the need arose?

A. I think we would have to consult an experienced engineer to find out if that was practical. It might be very costly.

Q. It might be just as costly as to keep the mines running at their present high capacity with the Government finding markets?

A. And you would have to regard the labour.

BY COMMISSIONER MORRISON - You could not put them out on pasture while you were experimenting?

A. I think the labour problem would be a bigger problem than of providing stand-by maintenance in the mines.

BY MR. O'BRIEN - Particularly with qualified miners.

EXAM. OF MR. BRUNNING BY MR. FRAWLEY (continued)

Q. So if you reduce it to a profit and loss statement, you would be spending just as much to carry out these suggestions as you would be to provide these millions of dollars each year to find markets and keep the coal mines geared to this high rate of production and the coal sent into markets on Government assistance?

A. It would require a very detailed study to answer that.

Q. In other words you would not like to say which method would cost the most money?

A. No.

Q. Now on page 59 there is this rather interesting statement at the top of the page: "There is some limit to the assistance that can be paid equitably out of public funds when considered in relation to the benefits secured and this point of the efficiency of production must have a very definite relation to this general question." Just again take an assumption for me and suppose that the production per man per day in the Nova Scotia mines, or in any of the mines (I took Nova Scotia because the production per man per day was low) suppose that the production



got worse, the rate per man per day got worse. The only way to make up for that is by greater Government assistance?

A. Right.

Q. If it got progressively worse the only way to compensate would be for increasing government assistance?

A. Yes.

Q. And I presume there is a point that would be reached when some decision would have to be made as to whether government assistance would be continued or the rate of production increased?

A. Yes.

Q. You would not say to what point it would have to go before you would have to give consideration to advising the government, if you were called upon to do so, that the assistance should be discontinued?

A. There are some facts that I think should be brought out in that connection. The subvention policy of course is based upon being competitive with the United States coal, so we have to consider the increased cost of United States coal in comparison with the increased cost of Nova Scotia coal. Due to the very much greater production per man per day in the United States, a dollar increase in wages in the States will probably increase the cost of coal by 25¢ to 27¢, whereas due to the low production per man day in Nova Scotia it will increase the cost of coal probably three times that, so we have a differential there of 50¢ which has to be overcome by subvention increase in pay to the workers or cost of material.

Q. Would you agree with this, that with the existing policy of government assistance, or with a policy of government assistance and a constantly, perhaps I should not say constantly decreasing, but a very low rate of production per man per day, is there not the tendency that there won't be the incentive to increase that production, to say that what we lack in efficiency in cost of production will be taken care of by government assistance?

A. That is only human nature. That is a correct statement.



BY THE CHAIRMAN - That would refer to coal that they were sure they would get subvention help to carry through. Surely the people who are operating the coal industry in this country know that is not the only place they can get a little profit, and the question still remains whether they are interested enough to get the number of tons per man per day for all the other coal besides that carried by subventions. The incentive is still there for the operators I think.

A. I think when considering competition, whether coal or other commodities, in the post war period, we have to realize that costs have got to be kept as low as possible.

EXM. BY MR. FRILEY (continued)

Q. Of course it is rather difficult to consider the present situation without keeping in mind the fact that it has been necessary for the government to give war time subsidies, and the fact is that some parts of the Canadian coal industry are being actually maintained from day to day and coal is being produced from day to day due entirely to the assistance given by the government in the way of war time subsidies.

A. That is right.

Q. And wheather any lack of initiative might spring from that necessity is, I suppose, a question?

A. I would like to point out that one of the major reasons that the coal industry had to be supported by Government assistance during the war time, was due to the Wartime Prices and Trade Board in line with the general policy of this country of freezing the price of coal to the domestic consumer.

Q. Assume that the Wartime Prices and Trade Board withdraw the ceiling on Canadian coal today, and knowing what you know about the financial condition of the Canadian coal industry and their dependence on wartime subsidy for the continuance of their operations, would you say that the Canadian Coal Industry could pull itself out of its problems if they were permitted tomorrow to charge what they liked, regardless of the Wartime Prices & Trade Board?



A. You can't generalize on that in regard to the different conditions that exist in the bituminous mines in the west and in the domestic mines of New Brunswick and Nova Scotia. Each coal field has to be analyzed and treated on its own merits. There are certain coal fields in this country that, despite a very large increase in the cost of labour and with the present prices that exist for coal, can maintain operations and make a profit without help or assistance. In the reverse, there are some coal fields that it is going to take the amount of assistance which it may be very difficult to persuade Government to pay in the future, and the only solution in those cases is greater efficiency in the field, either by mechanization, and probably by the expenditure of very large sums on capital account.

Q. Taking Nova Scotia coal, because that is the coal that has been getting more generally into Central Canada than Western coal, industrially, that coal is in competition with coal from the United States, bituminous?

A. Yes.

Q. And we know that coal is efficiently mined using the yardstick of per man day production American figures?

A. Yes.

Q. And we know Nova Scotia has nothing like that? The last figures we saw were 1.5 tons per man day?

A. I don't think you can say that is due to the inefficiency of either management or labour. You have to take the geographical position of the mines, as in the United States where the seams are flat. I would not like to be drawn any further into that subject. I think it is a subject for study of one or more competent mining engineers.

Q. You mean production per man day? You are aware of the difference in the rate of production per man day in Nova Scotia and the United States?

A. Yes.

Q. And those are the two competing coals?



A. Yes.

Q. And on that assumption, plus the knowledge you have of the difficulties under which the Nova Scotia mines are operating, I am wondering what your view is as to what would be the consequence of removing the restrictions which have been created by the orders of the Price Board concerning selling prices. If they were removed would the coal industry be able to carry on in Nova Scotia, or would they still need about the same measure of war-time assistance you have been giving them by way of subsidy?

A. I think that question would need a great deal of study to give you a fair approximation. There are two factors in removing restrictions. One the removal of the price ceiling, and the other is the removal of subsidy. The Companies in Nova Scotia would then be free to charge whatever price they felt they should get in order to make a profit. It is questionable whether a sufficiently high price could be obtained to get business and meet the American competition. I think that question needs a lot of study.

BY THE CHAIRMAN - Don't you think that the production in the Nova Scotia mines per man per day will reach the pre-war levels after this war is pretty well over?

A. I see no reason why it should not. The mines are in the same condition, and labour has the same figure I think.

Q. There is only one other reason for low production, is the thrusting on the operators there of inefficient labour and people not interested in mining at all. They were there because they had to be there. They were put there by competent authority.

EXM. BY MR. FRAWLEY (continued)

Q. If you assume that the Nova Scotia mines will go back to their pre-war level, that was about 2.5?

A. 2.56 I think was the highest.

Q. And the American rate of production now, also speaking in averages?

A. It varies from 4 to 6, and even higher.

Q. In the districts with which the Nova Scotia coals have to compete it varies from 4 to 6? And even higher?



1. Yes.

2. That will certainly present a problem to the Nova Scotia operators, will it not?

1. It will.

3. And there has been an increase in the rate of production per man day due to mechanization and other things of which we have heard, in the United States mines?

1. Certainly, and there is a continual improvement so far as we can see.

4. So I put it to you that the Nova Scotia mine will have to go back to the pre-war figure and then higher?

1. It would be desirable to get as high as possible.

BY THE CHAIRMAN - Higher, for what purpose?

MR. FRAWLEY - To compete against the American coal.

BY THE CHAIRMAN - Without subventions?

MR. FRAWLEY - I am not suggesting without subventions, but I say if the American coal can continue to be laid in, in Canada, at a lower cost, then either the Nova Scotia coal production has to be increased, or the government assistance increased, to take up the difference between the cost of laid in American coal, and Canadian coal.

BY MR. BRUNNING - I am of the opinion that while subventions are necessary under present conditions, that if with sufficient expenditure of money the production per man day could be raised above the 2.5, even above the 3, that it would be desirable to do so, so as to do away with subventions in the future. I am not suggesting that they be done away with at the present time, because they are necessary at present. But we should always be interested in the national interest to get production costs down as low as possible, and I don't think we should be defeatists on that matter. I think a lot can be done in the future by the expenditure of large sums of money.

5. In the Canadian mines?

1. Yes.



Q. I am discussing this with you because I feel you have a very intimate knowledge of this problem. If you put the Nova Scotia production up to 3 or 3.5, what disturbs me is you still have 3.5 coal competing with 6 ton coal in the United States?

A. You have to take into consideration the difference in freight rates. In normal times there is quite cheap transportation down the St. Lawrence, and the lower the cost the further west of the St. Lawrence the coal can go without subvention.

Q. Under its own power?

A. Yes.

BY THE CHAIRMAN - Are you speaking of 6 in the United States as pre-war?

BY MR. FRAWLEY - No, if you say Nova Scotia could get up to 3.5.

MR. BRUNNING - I would not hazard a guess on that.

MR. FRAWLEY - But if it could, you still have to compete with coal being mined that might average out about what?

BY THE CHAIRMAN - What was it pre-war?

A. It was down.

Q. Of course it was. If we make any recommendations, that is one of the things, it is after the war conditions that we should be dealing with. I mean the large surplus of excess, perhaps I should say, of the production in the United States today as compared with Nova Scotia mines for example, bears no exact comparison with what they were pre-war.

BY MR. FRAWLEY - What you are suggesting is that these figures of production up to 6 tons per man per day in the United States, may go down after the war?

BY THE CHAIRMAN - Because they were put up by all this extraordinary mining they did down there.

BY MR. FRAWLEY - I had not thought that these mines would go down.

BY COMMISSIONER McLAURIN - In the Fairmont field for instance, seven tons per man per day. I think some of Western Pennsylvania running in deep seams mine to 7 tons.

BY MR. FRAWLEY - I would not like to promise too much conclusion on the reduced efficiency.



BY THE CHAIRMAN - When you talk about production in the United States all the mines must be taken together.

BY MR. FRAWLEY - We are only interested in the competing districts, Nos. 8, 3, 1 and 2.

EXM. BY MR. FRAWLEY (continued)

Q. Now Mr. Brunner, you say at page 37, I would like to put on the record some material that you were good enough to give me. On page 37 you say: "As it was, the subvention policy did maintain the mines in operation, did provide work for some 4,000 to 5,000 men out of a total of some 25,000, and did allow the country to possess a fully staffed and developed industry at the outbreak of war. The mines were then in good condition and were capable of producing almost 20,000,000 tons annually if the manpower had been made available." I thought that was rather an interesting statement, and as you know I already asked you for that, and you were good enough to give me a statement showing that breakdown, and I would like to have that put on the record. Would you mind explaining that?

BY MR. O'BRIEN - Mr. Frawley has asked with relation to the statement on page 37 where it says - "The mines were then in good condition and were capable of producing almost 20,000,000 tons annually if the manpower had been made available." He asks on what basis I made that statement. I have here a statement submitted to Mr. Frawley, an estimate of the possible coal production in the early years of the war, broken down by Provinces

MR. O'BRIEN then read the statement which he had submitted to Mr. Frawley, as follows:-

ESTIMATE OF POSSIBLE COAL PRODUCTION IN EARLY YEARS OF WAR

1. Nova Scotia

The records show for Nova Scotia the following:



S.		-4966-	E. J. Brunning
Year	Coal Production (Net Tons)	Number of Producing Miners	Rate of Production Per Producer Per Year
1940	7,848,921	3,878	2,015 net tons
1941	7,387,762	3,484	2,105 " "
1942	7,204,852	3,165	2,280 " "

If Nova Scotia producers (producing miners) had been held at a level of 3,700 production in 1942 at the realized rate of production would have been  $3,700 \times 2,280 = 8,436,000$  net tons. In other words if the producing miners had not left the mines, an output of 8,436,000 tons could have been reasonably expected.

## 2. New Brunswick

The production of 547,064 tons in 1940 and 523,344 in 1941 show that in spite of the output of 435,203 tons in 1942, this field was able to produce at least 500,000 tons.

## 3. Saskatchewan

This province did produce 1,300,000 tons in 1942.

## 4. Alberta

Alberta also did produce 7,754,053 tons in 1942.

## 5. British Columbia

The mines in this province did produce 2,168,000 tons in 1942.

From the foregoing, it is reasonable to assume that from the performance shown in the early years of the war, the following tonnages could have been expected.

	Possible	Actual in 1942	
Nova Scotia	8,436,000 net tons	7,204,852	On the basis I have given above.
New Brunswick	500,000	435,203	On the basis of what they did in 1941.
Saskatchewan	1,300,000	1,301,116	On the basis of what they actually did in 1942
Alberta	7,750,000	7,754,053	Which they did in 1942
British Columbia	<u>2,168,000</u>	<u>2,168,541</u>	In the same way
Total	<u>20,154,000</u>	<u>18,863,765</u>	



BY MR. FRAWLEY - Thank you Mr. O'Brien. That of course is a pretty rosy picture?

A. I don't think so., if we had the purchasers there available at the actual production they did accomplish in 1942.

BY THE CHAIRMAN - What about the factual thing apart from its rosiness?

BY MR. FRAWLEY - It is taking actual producing miners with actual coal produced.

BY COMMISSIONER MORRISON - There are some bituminous mines in Canada that are not getting any subsidies or subventions?

BY MR. O'BRIEN - That is correct. There is no mine in British Columbia or Alberta Rocky Mountain field that is receiving subsidy from the Emergency Coal Production Board.

BY THE CHAIRMAN - Also one in Nova Scotia?

A. Yes. There may be one or two in New Brunswick. I doubt it. And there are a number in the domestic field at Drumheller.

BY COMMISSIONER McLAURIN - Do the Western bituminous operators receive aid? Did the Rocky Mountain bituminous operator at any time receive aid?

A. Yes, in the early days of the emergency there were one or two mines that received some form of assistance.

Q. That would be in 1942?

A. Yes, the first year, 1942-1943.

Q. There has been no aid since that?

A. No aid since April 1944.

BY THE CHAIRMAN - By aid, you mean in the way of subsidies?

A. Yes.

BY COMMISSIONER McLAURIN - They have not had any direct aid of any kind?

A. There have been subventions paid on coal to the Coast.

Q. That was Wartime Prices and Trade Board, because they had to maintain a price. Any payments made to Western operators in respect to movements to the Coast was because they were in the squeeze of cost plus established price?



A. Yes, that is right, and the direction of coal by coal control to uneconomical market.

BY MR. J. L. COHEN - If my friend is through, and if members of the Commission will permit me, I would like to ask a few questions.

EXM. OF MR. BRUNNING BY MR. COHEN

Q. Mr. Brunning, I would like to have a few matters clarified. I observe that you open up your Brief or Submission by an emphasis on the importance of coal in industrial civilization, and as you so well point out there, like to many things essential to us, we only notice how necessary it is when something interrupts the service. I suppose that amounts to the same thing as fresh air being necessary to us?

A. We can't live without it.

Q. No can industry carry on without an adequate supply of coal?

A. The majority of industries cannot.

Q. And, generally speaking, the consumption or use let me say, of coal is the key to the general level of the economy of the country at the given moment?

A. It is a yardstick.

Q. As you said I think in a question put by Mr. Frawley, that there are cycles or fluctuations in the business world, and with these fluctuations there is a rise and fall in the use of coal? You say on page 7 - "The large coal producing nations must maintain the development and the operation of their mines at that level which will ensure adequate supply to their consumers and still provide a reserve of production to take care of emergencies if and when they occur." I take it that you are setting that down as a statement so-to-speak of national policy that should apply to us in Canada also?

A. I am just stating facts there Mr. Cohen.

Q. Yes. And as related to our own Canadian policy?

A. It applies to Canada as well as to all the rest of the world.

Q. And having regard to the particular commodity of coal, there



are specific reasons, I think you will agree quite readily, for ensuring supply of it as far as possible from our own mines?

A. That is desirable.

Q. That is, it is not something that we can get along without. We could have coal-less days I suppose, as well as meatless days, but with much greater inconvenience.

A. That is correct.

Q. And as a consequence when dealing with the subject of coal, one must approach it as dealing with a commodity that is bought and sold in the market, something essential to the life and welfare of the nation in an economic sense?

A. That is correct.

Q. And if in fact, as you point out on page 37, that the Canadian Mines are capable of producing almost twenty million tons annually if the manpower is available, then it would be sound national policy to maintain our production at that level and not leave ourselves, at least up to that point, dependent upon hazards as to other sources?

A. I think Mr. Cohen we should realize that during the war coal mines ran practically continuously, whereas in peacetime there is intermittent operation, therefore what we might call (to use a word I used in the brief) the optimum in peacetime is different than in wartime. In my experience I have never seen any industry in peacetime run to 100% capacity.

Q. But if the policy as set out by your own Minister in the White Paper of April 1945, full implement and high level of national income is fulfilled, then that situation of intermittent diminution of coal production relatively disappears, does it not?

A. I would not say disappears. It presents problems. It is one thing to issue and set a policy of full production, and another thing to obtain that under peacetime conditions.

Q. I appreciate that. But on the assumption that the policy laid down in the White Paper had been fulfilled, then this situation that you speak of as intermittent production, would relatively disappear?



A. Yes.

Q. That is a feature of reduced economy?

A. Yes.

Q. And of a situation of unemployment?

A. Yes.

Q. And with the occurring of that this intermittent feature disappears? That follows, does it not?

A. I don't quite follow your argument there, Mr. Cohen.

Q. I am just submitting this to you, that if in fact as you indicate to us, having regard to the specific nature of coal and its vital role in the economy of a country, it is in the national interest to produce as much of it as the country can and to maintain its own mines in, as you call it, the optimum of production. Then if in fact, as you say on page 37, our Canadian mines - "were then in good condition and were capable of producing almost 20,000,000 tons annually if the manpower had been made available." If we could supply the manpower, it would be sound national policy to maintain that production?

A. Yes, but there are technical problems that must be worked out in order to obtain that.

Q. What do you mean by that?

A. If a mine has not orders it cannot run.

Q. You mean there has to be a consumption of the coal mined?

A. Yes, a demand for it.

Q. Assuming that there is a demand based on the fulfillment of the White Paper figures, and that that demand would call for 20,000,000 tons of a type of coal that could be produced in Canada, it would be sound national policy to so administer our affairs in relation to our coal mines that we could continue annually to produce 20,000,000 tons, if that is possible?

A. I doubt whether in peacetime conditions for sometime to come, if we could attain the 20,000,000 tons.

Q. Because of the manpower shortage?

A. No, because the coal business is what it is.



Q. Because the economy would be reduced?

A. No, because of the practical side of the industry. Even during the war we have found it hard to run at maximum. You have delays, due to car shortage, and orders not being received. I know of no mine that can run at 100% capacity in a peacetime economy.

Q. We will not quarrel about the specific number of tons so long as we get to some approximation. I was taking your statement on page 37 in which you say that the mines were then in good condition (and I presume you meant in recent years) and were capable of producing almost 20,000,000 tons annually if the manpower had been made available."

A. Under war time conditions.

Q. I should say then if in fact we can produce almost twenty million tons, and we have the manpower and the economy to consume it, then it is sound national policy to make sure that our mines are producing up to that level?

A. As far as is practical under peacetime conditions.

Q. Assuming we have the manpower, and the economy to consume it, and the mines can produce up to approximately twenty million tons per annum, it is sound policy to make sure that our Canadian mines are kept producing at that level?

A. Kept producing at as high a level as possible.

Q. And the closest estimate you have been able to give us is almost twenty million tons?

A. That is it, under wartime conditions.

Q. Under wartime conditions you were somewhat handicapped, were you not, in getting maximum production?

A. We didn't get maximum production during wartime.

Q. Then do I understand you to suggest now that the twenty million figure is a figure that could be produced under wartime conditions?

A. Provided the labour was available.

Q. If in fact the manpower question is solved, if our men return and they re-enter the mines, so far as the producing capacity of



Canadian mines is concerned, they could produce to almost twenty million tons a year?

4. Provided they bring the output per man day up considerably in the Nova Scotia mines. The production in Western mines has been maintained pretty well during the war.

2. When you say considerably, what do you mean?

4. From 1.6 to 2.5.

2. You mean the pre-war level?

4. Yes.

2. That being so, in terms of national policy surely it is not correct to suggest, as you do on page 8, that if in fact Canada is to export, and we hope to export, and is to import, that therefore coal must be treated as an ordinary commodity that will be exported or imported according to the business interests of individuals?

4. I don't think I say that.

2. You say in the last sentence of the second paragraph on page 8 - "If we must export commodities to England, to the United States, to Russia, we must be prepared to accept other commodities in exchange and, inasmuch as coal is one of our present deficiencies, while surplus to the nations noted, the possible import of coal must receive the fullest consideration not from the restricted viewpoint of Canadian coal production but as a question of the overall national welfare."

4. That is correct.

2. Do you mean that as something to take care of some immediate situation?

4. No, that is a general statement. You must remember that the imports of coal in peacetime have equalled, if not exceeded our own production, and my statement there is to show that we cannot become self-sufficient with coal. That there is a natural market for American coal in the Central Provinces, and if Canada is going to trade with other nations, we have to buy coal if we want to, say ship our other products like nickel and pulp



and paper. It is a general statement.

Q. If, as a result of maintaining our own Canadian mines at full producing capacity, having regard to their technical positions and facilities and to the manpower available, and if keeping those mines at full production capacity still leaves us in need of further coal, then that would necessarily figure as one of our items of imports.

A. That is right.

BY THE CHAIRMAN - Mr. Cohen, you used the words "not from the restricted viewpoint of Canadian coal production"?

A. Yes.

EXM. BY MR. COHEN (continued)

Q. In the next paragraph you say - "The present data can be used as a basis for building up a picture of the future requirements provided that indication can be given by competent authority of the long term trends in general trade." Have you had any such indications from authorities?

A. I have not, none.

Q. This document, I observe, was prepared on the 28th of March, 1945?

A. Yes.

Q. That, I take it, was before the White Paper issued by your Minister?

A. Right.

Q. Have you at all estimated what Canada's coal requirements would be if in fact the employment policy set out in the White Paper was fulfilled? That is an addition of some nine hundred thousand to a million wage earners over the figure employed in 1939?

A. No, we have not tackled that job. That would be quite a big problem.

Q. Having regard, as you say - "The present data can be used as a data for building up a picture for the future requirements provided that indication can be given by competent authority of



the long term trends in general trade." Having regard that your Minister has set out in the White Paper a policy and similarly a prospect of a certain degree of employment, surely it would not be too difficult to estimate on the basis of the employment figures contemplated by the White Paper, what in fact Canada's coal requirements would be?

A. I think it could be done with a fair degree of approximation.

Q. I would not suggest for a moment that you would be expected to do it with any mathematical exactness. Now on page 9 I refer you to Exports to the United States from the Maritimes. Have you any tables or figures giving that? I suppose we could get that from other Government sources?

BY MR. O'BRIAN - They are all published in the statistics for Canada by the Dominion Bureau of Statistics.

EXM. BY MR. COHEN (continued)

Q. I observe that you point out on page 10 that: - "A thorough and well designed publicity campaign by the Alberta Government and the producers educated the public in the proper burning methods and when the consumers realized that they were getting more heating comfort for less money than they had received with imported coal the market was retained for Canadian coal."

A. That is a fact and the Alberta Government did an excellent job after the last war.

Q. And I suppose the more of that that can be done, the more likelihood of Canadian consumers preferring to use Canadian coal?

A. I think so, yes.

Q. Just to be clear, as I understand it your figures as to payments by way of subventions or subsidies, or anything of that sort, will be coming in in the brief being submitted by the Fuel Board?

A. That deals with the subvention end of it.

Q. How about subsidies?

A. I think I have filed with the Royal Commission a statement on the subsidies paid to date.



Q. You say you filed that with the Commission?

A. Yes.

Q. Can you indicate to us in some general way just what that is?

A. I have not the figures here, but I will be very glad to table them.

BY MR. COHEN - And if they are tabled, I suppose that will be put into the record on this point.

EXM. BY MR. COHEN (continued)

Q. Now on page 10 where you speak in line 1 under the paragraph "Production", you speak of production and available markets. Is I take it you are talking there of competitive markets?

A. Yes.

Q. You say Canadian coal production has always been limited by available markets, and I take it you mean by that, competitive markets?

A. No, available markets. In other words production has always in peace time exceeded the markets available for the coal. Our facilities have been greater than the markets in peacetime.

Q. By market you mean the effect of demand?

A. That is right.

Q. The level of the economy?

A. That is right. You will note, Mr. Cohen, that we go on and say the only exceptions have been in time of war.

Q. You then go on and say on page 11, at the end of that section dealing with production - "The markets available on an ordinary commercial price basis have not been sufficient to maintain the optimum rate of production and it has been necessary for Government to provide financial assistance to widen these markets." By that you refer to subventions, and so on?

A. That is right.

Q. On the same page, 11, you deal with the question of equipment, that is that some coal consumers in some areas, particularly in Central Canada, are tied in with the use of American coal because of the type of installation they have. Has any estimate been made



of what it would cost to bring about the changes so that Canadian coal could be used?

A. There are installations that can be changed, and others that can't. There are certain processes like production of gas and coke which require specific types of coal.

Q. Getting away from any consumers who require specific types of coal not available in Canada, and dealing with consumers who require coal not produced in Canada not because of the nature of Canada's coal but because of the type of their installation, has there been any estimate made of the cost of the change in their equipment so that Canadian coal could be used?

A. No.

Q. Lower down you talk about the transportation facilities developed by the United States, and pertinent to that "...the construction and operation of large coal docks at convenient Canadian ports with modern handling equipment where the coal is unloaded and either forwarded for consumption or held in storage for later furtherance." Who constructs those?

A. The Railways?

Q. No, I am talking of the large coal docks with modern handling equipment at convenient Canadian ports?

A. My understanding is that they were all built with private capital.

Q. You mean by coal interests?

A. Coal interests in the United States.

Q. Well now a great deal of this American coal that comes in enjoys, if I may put it that way, the facilities of our canal services, and so on. Is that right? Makes use of them?

A. A small cross-lake movement. Probably Mr. O'Brien can give you some factual data on that.

Q. While Mr. O'Brien is looking up that data; these canals have been paid for out of public funds, that is obvious?

A. Yes, that is obvious.

Q. And to that extent the movement of American coal to the



importer in Central Canada has been, and is being, assisted by the expenditure of public money?

A. I would not like to express an opinion. That is just a statement.

Q. I am just asking you to agree with what appears to me to be an obvious conclusion. There is more than one way of aiding an industry. By direct aid, or supplying facilities for it?

A. Going the other way along the canal, our pulp wood going to the United States is also using it.

Q. And to that extent we are assisting our pulp industry?

A. Yes.

Q. In other words, there is direct aid to an industry and indirect aid?

A. Yes.

Q. And before you can come to the social cost of any commodity you have to take into consideration all features of direct and indirect aid?

A. I don't know what you mean by social costs.

Q. To get in this American coal there is a certain amount paid to the coal exporter, and to the Railway transporter, and to the dealer, and an amount expended by the public in building canals and maintaining them. You would have to add all those items before you get to the cost of that coal to the public of Canada?

A. That is an overall picture.

Q. That is what I mean by social costs. You point out on page 12 that while during the war we used some fourteen million tons of coal, that it is likely that after the war (and this I understand deals with domestic requirements) that will drop to twelve or thirteen million tons.

A. That is our estimate.

Q. What do you mean by domestic requirements? Do you refer to houses and dwellings?

A. Yes.

Q. Places where people live and reside?



A. Our statistics show that as the public have more money to spend they are less careful with coal and they use more; and if they have less money to spend then the coal consumption of the country goes down.

Q. Whether they are less careful, or just cooler is a matter of opinion perhaps. But you say when they have less money they buy less coal?

A. Yes.

Q. And on that basis you say there will be a drop in domestic consumption from fourteen to twelve millions?

A. Our statistics show that consumption of anthracite both in United States and Canada dropped about 25%, and it is the weight of a number of statistics that we have from which we arrived at these figures.

Q. Related to a shrinkage in purchasing power?

A. That is right.

Q. Now you discussed with my friend Mr. Frawley some of the factors that enter into the question of just how secure one can be with respect to supplies coming in from other sources, and Mr. Frawley referred to war, and you pointed out that there might be strikes and also a fluctuating cycle of business. You will agree that there are some other factors that also enter into that? The fiscal or monetary policy of another Government, or the Government of some country from which we may be now importing coal?

A. I had not thought of that.

Q. Or the political policy of some country from which we now import coal?

A. There are many things that enter into it.

Q. Even possibly the political differences between this country and Governments of countries from which we now import coal would also have an effect upon the certainty of supply from outside sources? Is not that right? That is obvious, is it not? I am not suggesting that they are here, or going to occur, but if they do that would have an effect upon the continuity of the supply?



A. I think that general statement is right.

Q. And then freight rates change, as you point out. They may go up in the United States, or down in Canada. They would also have an effect, not perhaps upon the availability of the coal, but upon its competitive factors? Is that right?

A. There are a lot of things that enter in.

Q. And the possibility of an increased price of foreign coal would also enter into the question of competition?

A. Yes.

Q. All those would point out the very sound statement that you base your whole brief on, of the necessity in the national interest of making the maximum possible use so-to-speak of our own coal mining facilities? Is that right?

A. Consistent with economy and the national interest.

Q. You mean consistent with the amount of coal that the economy is going to make use of?

A. The word economy there is used in the very broadest sense.

Q. Have I summed it up correctly? When you say consistent with the economy, you mean consistent with the amount of coal that the economy can create a demand for?

A. My thought was that Canadian coal cannot be pushed into the natural markets of other coal regardless of cost, or regardless of effect upon the economy interest of the country. In other words we have to be temperate in what we say.

Q. There is a certain point at which it might become unwise to insure our initial supply of coal, but you are not suggesting what that level is?

A. No.

Q. I understood you to say in reply to Mr. Frawley that the subvention policy of the Wartime Prices and Trade Board in respect to coal is based on the cost of coal imported from the United States?

BY MR. O'BRIEN - I can give a brief answer if you repeat the question.. But I would like to submit it further to Mr. Neate who is responsible for all the subvention policy, and will be



here later.

Q. I understood Mr. Brunning to say that the subvention policy in respect to the prices maintained for coal is based on the cost of coal brought in from the United States.

A. It has always been based upon the competitive cost at the point of consumption.

Q. And by competitive cost, necessarily the American coal becomes a factor?

A. It would be the factor in actual practice.

Q. And as has been pointed out American coal, having regard to the scale of production and type of mines, etc., is produced at a rate that yields, - for instance wage returns there are far higher than prevail here?

A. I don't know, Mr. Cohen.

Q. If that is the case, and if you use the price of American coal as the standard by which you determine the price ceiling of coal, are you not determining the wage condition, and income condition, of the Canadian miner, who is operating on an entirely different basis than that of the United States miner?

A. I would suggest that that is a leading question on the subvention policy, and I would much prefer to leave it to Mr. Neate.

Q. In the course of arriving at the price ceiling in respect to coal was any attention paid at all to the question of what wages are these miners getting? Are they getting enough? Should we increase their wages? What conditions are they working under? Should we see that those conditions are improved? Was any attention given to those factors when you determined the price ceiling of coal?

A. I think that information can be found in the Minutes of the Dominion Fuel Board. These Orders-in-Council setting subventions were set many years ago and no doubt in the Minutes of the Board those would be available.

Q. Those would not be available to us.

A. I don't think there is any reason why that information should



not be given.

BY MR. FRAWLEY - The Minutes of the Dominion Fuel Board would certainly be accessible for examination.

EXAM. OF MR. BRUNNING BY MR. COHEN (continued)

Q. And Mr. Neate will be here?

A. Yes, next week.

Q. It does follow, I suppose, that if in fact any attention was given to these matters, and if the wage standard of the miner is inadequate, that maintaining the price ceiling is in effect that the miner is absorbing the cost of maintaining the price ceiling level for the general consumer in Canada?

A. I have no remarks to make on that.

Q. That follows, does it not?

A. I have not thought that through.

Q. Have you had anything to do with respect to recommendations or anything of that character, dealing with fixing price ceilings for coal?

A. No. Price ceilings are fixed by the Wartime Prices and Trade Board.

Q. In any way in consultation with you?

A. On a very definite formula, that was the basic period. In other words the Coal Administrator does not set coal prices. Coal prices were set by a general policy of the Wartime Prices and Trade Board as at a standard period.

Q. And were you ever consulted?

A. In what manner?

Q. As to the price that should be fixed for coal?

A. No, we just carried out the policy of the Wartime Prices and Trade Board.

Q. And where could that very definite formula be obtained?

BY MR. O'BRIAN - That would be in a statement of policy issued by Mr. Gordon, the Chairman of the Board. I could get you the exact date in reference to that.

Q. I would appreciate it very much if you would write a letter



to Mr. Frawley giving that information.

BY MR. BRUNNING - We will get that information for you, Mr. Cohen.

EXM. OF MR. BRUNNING BY MR. COHEN (continued)

Q. Now as to Exhibit 250, those Government sponsored mines.

What do you mean by Government sponsored? Government owned?

A. No. I might make an explanation of that. It was necessary to increase the production of coal in the West to take care of a pending emergency, and also to act as an insurance against any future emergency that might come along. Coal being different to ordinary commodities, we had first of all to find out where coal was available, and it was found available by our Engineer in six locations. It so happened that the companies owning and operating on these six locations were small companies who were not financially big enough to finance the increased production that was necessary to meet this emergency, and therefore the Government by means of loans to these companies financed the increased production, and the loans are being paid off out of the revenue of the coal.

Q. Can you give us some approximate idea of the amount of the loans?

A. That has been filed with the Commission, and the tonnages were filed yesterday.

Q. In Exhibit 250?

A. Yes.

Q. Would you mind looking at page 35, the second paragraph, where you use the term "general trade policy of the country".

I take it you are referring not to the general trade policy, that is general buying and selling, exporting and importing, but to the general economy of the country?

A. Yes, that is the economic policy of the country.

Q. Then lower down where you talk about the exchange of the work of 25 men on coal for one day, for the purchase of their daily requirements, and so on. That obviously assumes that you are



paying those 25 men relatively on the same level as other industries are paying the men and women who produce the commodities that the miners are going to buy.

A. We made no estimates as to that. That is just a statement of fact.

Q. You say: "If, for example, in any section of the country it takes the labour for one day of twenty-five men to produce a car of coal, the return on that car, in the form of commodities, will have to be sufficient to provide those twenty-five men and their families with their daily requirements of these same commodities and also to provide a surplus in the form of the capital goods required to maintain the production of the mine." Obviously if you are to enable the miners, those 25 miners, to purchase their requirements out of what is paid to them for producing the coal, you have to pay them at a level comparable to the level of those who are manufacturing the commodities they are purchasing?

A. We purposely kept away from money in order to simplify things, and put it in terms of man hours or productive effort.

Q. It comes to the same thing. If a miner works an hour and gets a certain amount and requires a certain commodity, he can only buy that if he is paid an amount comparable to the amount paid to someone else who is making the commodity he is going to buy?

A. The price structure enters into it and we thought it was dangerous ground to get on.

Q. My friend asked you about strategic necessity, so I won't go into that. The reference you make here to absenteeism incidentally appears to me to be something that one might question you about. First of all you say at the bottom of page 18, there has been a great increase in the loss of working time. You don't mean an actual increase in loss of working time?

A. Well absenteeism is loss of working time,

Q. But it suggests that at a certain date there was a certain level of working time and at a later date there was a lower level.



Do you suggest that in the last few years there has been less working time than before?

A. In pre-war days it was predicated on the work available and during the war there was 100% available.

Q. So when you talk of loss of working time, you talk of whether or not the miners are taking advantage of the further work made available to them?

A. That is right.

Q. And in determining whether absenteeism is necessary, have you paid attention to the age of the men, or the factor of the fatigue involved in working continuously in a mine over a period of six days?

A. We have had the Labor Department making very extensive investigations on all those points.

Q. And what conclusion was reached?

A. There were many many causes.

Q. And some of them attributable to the type of things I mentioned, the age of the men, and the fact that they were now being worked six days a week as compared with the previous period of from 2 to 4 days?

A. All those points enter into it, but there are many other points in addition to that.

Q. Did you compare it with other industries?

A. I happened to be familiar with the absenteeism in the war industries. I have seen no figures as high, as far as absenteeism goes, as in some of the mines in Canada.

Q. Have you had a comparable industry, one involving the same type of fatigue, in which there was the same situation of the older men being kept at work, and in which there was the same situation as to unemployment?

A. We have in the war industries which were quite as strenuous and in which there were quite a number of older men employed.

Q. And employed a certain number of days a week?

A. Yes.



Q. What is one of them?

A. The foundry industry.

Q. And do you say the absenteeism in respect to miners is higher than in respect to foundries?

A. I do.

Q. Do you know of the shortage that was experienced with respect to getting men in foundries?

A. I do.

Q. It was one of the key problems with respect to manpower situation during the war?

A. That is why I mentioned it.

Q. On page 38, when you talk of: "The output per man day is a measure of both the effort exerted upon the part of labour, the mechanical equipment of the mines and the physical condition of the coal seam." You omit there the question of the distribution of the manpower employed as between producers and non-producers. I mean that would be a factor too when you come to deal with output per day?

A. The output per day is solely dependent upon the producers. Generally speaking we have had plenty of datal men in the mines.

Q. You only mention three factors here as bearing on this question of the output per day: (1) the measure of effort exerted upon the part of labour, (2) the mechanical equipment of the mines, and (3) the physical condition of the coal seam. Now I suggest to you that you must include in that the question of a more balanced distribution of labour power as between producers and non-producers. That should be added to these factors. That is obvious, is it not?

A. I don't see the point.

Q. If you have an improper balance as between producers and non-producers, your production per man per day will be reduced?

A. Yes.

Q. If that is corrected the production or output per man per day will be increased. That follows, does it not?



- A. I don't see where the factor comes in.
- Q. I just want to know why you left it out?
- A. I don't think it is necessary.
- Q. Do you agree with me that it is a factor?
- A. I don't agree with you.
- Q. Do I understand you to suggest that if in fact a more balanced distribution of labour prevails in these mines as between producers and non-producers, and as compared with the situation today, that the output per man per day would not be increased?
- A. I agree if we had more producers the output would be increased.
- Q. Then that is another factor?
- A. But I don't like to mix that up with the relation between producers and non-producers, because it depends so much on the mines.
- Q. A proper balanced distribution of labour is a factor, in addition to the factors you mention here?
- A. That is necessary for the running of any mine.



Q And also the question of the age of these men, the physical condition and their conditions of work? That also would enter into the question of the output per man per day?

A That is correct.

Q Dealing now with your last page, 40, at the top of the page the heading, "Necessity for some Government Body to Maintain Touch with the Coal Problem," would you mind just indicating what you mean by "some Government body" and what you mean by "maintaining touch"?

A Well, my experience in Coal Control and the Emergency Coal Production Board has indicated that it is necessary to have a government body. I am not prepared to say in exactly what form that government body should be constituted, as this time. I believe it is in the terms of reference of the Commission to try to determine such post-war recommendations. I am not prepared to say exactly what.

Q That is fair enough. I am not pressing you on that. Now are you prepared to indicate at all just what measure of control or supervision or any other authority should be exercised by this body?

A Not at this present time. I think that will have to be judged upon the conditions as we find them as we enter further and further into the post-war period.

Q But your experience did lead you to make this statement, the opening sentence of the second paragraph on page 40, "It has been a matter of experience among most of the nations in an advanced state of industrial civilization that the problems connected with the coal industry could not be left to solve themselves"? That was your conclusion then?

A And is now.

BY THE CHAIRMAN: Anything else, Mr. Frawley?

BY MR. FRAWLEY: Mr. O'Brian, when you were giving us your estimate of 20,000,000 tons, this figure of 2280



net tons per producer in 1942, that would be what rate of production per man per day?

MR. O'BRIAN: That is the actual tonnage produced that year divided by the actual number of producers

Q Mr. Brunning, in reply to a question by Mr. Cohen, suggested that to reach 20,000,000 tons there would have to be a return to the pre-war figure of 2.5 tons per man per day?

A That is entirely different from 2280 tons per producer per year. That depends upon the number of producers.

BY MR. FRAWLEY: We adjourn now until the morning of the 18th, when we resume with freight rates.

12.40 P.M. - COMMISSION ADJOURNED UNTIL THURSDAY,  
OCTOBER 18th, at 10.00 A.M.



Canada. Coal  
E. Minister

ROYAL COMMISSION ON COAL

Ottawa, Ont., Thursday, Oct. 18, 1945.

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ROYAL COMMISSION ON COAL

Ottawa, Ontario.  
October 18th, 1945.

The Royal Commission on Coal convened in the Courtroom of the Board of Transport Commissioners, Ottawa, Ont., on Thursday, October 18th, 1945, at 10:00 o'clock A.M.

## PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman  
Hon. Mr. Justice C. C. McLaurin, Commissioner  
Angus J. Morrison, Esquire, Commissioner  
J. J. Frawley, K.C., Commission Counsel  
Robert D. Howland, Secretary.

BY MR. FRAWLEY - At the request of Mr. H. A. Glover, a witness who gave evidence on the 3rd of October, I want to place on the record an extended answer to a question I put to him at that time dealing with the use of modern cleaning equipment, and which appears in Volume XLVI of the transcript at page 4252.

"Question: Do you think any large producing company in the United States could expect to hold its position in the general markets in the future without modern cleaning equipment?

Answer: This is a very broad question to answer "Yes" or "No". In the first place some of our coals do not need cleaning because there is so little extraneous material in the coal as loaded into the railroad car that cleaning is not justified. Likewise, there are many mines which serve a specific type of consumer such as railroads for locomotive fuel and by-produce and steel mills for the manufacture of coke and the extraction of other by-products. Most of these mines either do whatever cleaning is necessary for their particular coals for their specific uses or they do not engage in a side distribution in the general markets.

As a general proposition when a modern cleaning plant is installed it is accompanied by a modern sizing plant equipped for all forms of beneficiation. Likewise, coals which are loaded mechanically, either from strip mines or underground mines, cannot be loaded without extraneous material which must be removed if the mines are expecting to continue serving the general domestic and industrial markets. Modern sizing and beneficiation can greatly expand the markets for coals which have inherent chemical and burning characteristics adaptable to



"general industrial and domestic uses. For this reason I personally usually think of a cleaning plant as including beneficiation of all kinds and the various operations of the beneficiation of coals depend upon the type of coals, the uses to which they are put and the improvement which can be made in their sales value through beneficiation.

Therefore, generally speaking, I would answer your question by saying, with due consideration to the type and quality of the coal and the nature of the impurities which form the ash (whether extraneous material which can be removed through beneficiation or inherent ash), and likewise with due consideration to the use for which the coal is being prepared; namely, domestic or industrial, that in my opinion any large coal producer must keep up with the times in beneficiating his coal if he expects to continue to hold his place in the general markets of the United States and I feel general markets of the Dominion of Canada would follow in the same category."

MR. A. A. CURTIS takes the stand

BY MR. FRAWLEY - Mr. Curtis was replying to the Supplementary Brief, Exhibit 227, and had completed his statement in general, and Mr. Gouge was cross-examining him, and although Mr. Gouge did say he was finished on the 6th of October, he has asked to be permitted to ask a few more questions.

CROSS EXAMINATION BY MR. GOUGE (continued)

Q. Mr. Curtis, in your consideration on examination of the receipts from freight traffic on your lines, have you ever given thought to the proposition which was made several times in the I.C.C. Reports, and I will read to you just a few lines:

"We have also had occasion to point out in previous cases that car-mile and train-mile statistics are in general criteria of greater significance than ton-mile figures in judging the reasonableness of rates on heavy, low-grade commodities moving in large volume."

That is contained in Volume 120, page 81, of the I.C.C. Reports. In the same connection in the I.C.C. Reports in the Molasses case I have previously cited and which is in the record and has been referred to several times:-

"In advances of coal to Lake Ports, 22 I.C.C. 604, 620, we spoke of the fallacy of placing reliance on ton-mile earnings as a basis for rate making, and said: 'Is the Commission has heretofore found in many cases a much fairer basis is that found in the earnings per car mile.'"



Have you given consideration to the truthfulness or the fairness of that decision, or that recommendation, or that dictum if I might call it.

A. I think in reply to that I should first say that in the work which I am required to do, my work is usually concerned with costs and not rates. And as for the rates, that falls back on the Traffic Department to decide.

Q. You would not care to go into a discussion of the merits of that decision or dictum of the I.C.C.?

A. I think I would rather not go into it more than to say that in estimating costs, just what they say there, the rate per car-mile and the rate per train-mile and the rate per ton-mile each have their bearing as to the desirability of any given traffic. Any one may or may not be worth while as a factor. You have always got to take into account the operating conditions, I am speaking from a cost standpoint now, and always you have to consider all the factors surrounding any given traffic, and therefore any one may not be sufficient.

Q. You would not then care to go into an examination or discussion of the comparative merits of determining the revenue from a traffic calculated on the revenue train-mile basis or the per ton mile basis? I am just asking you because I think there will be other witnesses who might go into that.

A. I think I would rather not.

Q. That is the crux of our case here and it is important and I am going into it pretty thoroughly before we finish, if I may.

I think that is all I care to ask you then Mr. Curtis.

EXAMINED BY MR. FRAWLEY

Q. You made a criticism of Mr. Gouge's figure of \$4.62 per mile being the gross revenue per train mile that would be yielded by the proposed train-load of coal from Alberta to Ontario, for the reason you said it should not be 1990 miles but twice that or 3900 miles. Now you said that was so because empty coal cars had to be moved from East to West. I must confess I don't quite understand that.



Why did you have to move, or do I understand that you would have to move that whole trainload of empty cars from North Bay, which is the point we were dealing with, turn that whole train of empty cars back to Alberta? Is that assumption correct?

A. It is correct, although as a matter of fact I don't base my argument on the fact that empty cars had to go back. It is quite true they do, and your statement is quite correct, except that I didn't make that point.

Q. A train load of fifty cars of coal reach North Bay and are emptied, those fifty cars are not simply returned immediately back to Alberta, are they?

A. No, they are not, but inasmuch as owing to the fact that traffic from Western Canada to Eastern Canada predominates, we are constantly confronted with the necessity of moving empty cars westbound, therefore every bit of extra traffic we move Eastbound from Alberta, in this case to Ontario, results in an equal amount of empties going back. Our records at the present time show that we are moving many empties westbound, therefore if we put additional, or if we move more cars from the West to the East, in order to keep our supply of cars in the West available for traffic we have to send cars west. Therefore, while those specific cars that come east with coal may or may not go back, either they or some other cars must go back to take the place of the cars that came east.

BY THE CHAIRMAN - Does it mean that when a fifty car train reaches North Bay, which is the place we were talking about, that that must go back as a finished train of cars?

EXM. BY MR. FRAWLEY (continued)

Q. You say it does not?

A. That is correct.

Q. So that for example perhaps 25 might be attached to one train, and perhaps 50 more might be combined to send 100 back, so your figure as to the double mileage does not seem to be very accurate, and I don't suppose you intended it to be accurate?

A. No sir. I think we are mixing up empty car movement and train



miles. My statement in connection with the doubling of the train miles was to take issue with Mr. Gouge's statement that we got \$4.62 for every train mile operated in connection with this coal movement. Now I say that is not so. If we are going to superimpose that coal movement on the top of the traffic we have at the present time, it is going to cost us to operate a train mile east bound with the coal and a train mile west bound with the empty, so that no matter how you look at it, it is just a fact, and there is no possible outlet for it, that if we move this coal we are going to be confronted with moving train miles eastward to handle the coal and an equal number of train miles westward to get our power and crews back to move the next load eastward.

Q. When a train of fifty cars arrives in North Bay and after it has been emptied, the cars are moved here and there throughout Eastern Canada in rough freight of one kind or another, rough freight because of the nature of the traffic that came down in them?

A. Right.

Q. And those identical cars are not simply turned around and sent back to Drumheller?

A. Correct.

Q. But because there is always a surplus of eastbound over westbound traffic, that necessarily means that some empty cars have to move back west?

A. Correct.

Q. And whether you gather them all in a train and send a solid lot of empties out, or whether you would send 2 or 3 on one train and 30 on another, is beside the point?

A. Yes.

Q. You say there are train miles going back, a train mile movement over the coal movement coming down?

A. Yes, Sir.

Q. And you say that is necessarily so?



A. Yes.

Q. Simply because of the fact, because the surplus of movement is eastward?

A. Correct.

Q. If the surplus was the other way this question would not arise at all?

A. Correct.

BY COMMISSIONER MORRISON - Is that surplus true at all seasons of the year?

A. You are talking of cars, not trains?

Q. I am talking of what Mr. Frawley is, this surplus of train miles coming from Western Canada to the East, I understood you to say there was always a surplus of empty cars?

A. Just one moment. Yes Sir, that is by and large all through the year.

Q. Now let me understand this, what do you mean by by and large?

A. There may be odd times when, due to specific traffic conditions, for some short period the situation changes, but looking at the picture as a whole, month by month, month in and month out, there are always many more empties going west than east.

Q. Let us draw a line at the Alberta border. Because there is a large movement of lumber, I understand, coming from the Pacific Coast eastward, I understand that from the evidence the other day. What is the position?

A. I have no figures at the Alberta border, Sir. Our records are set up by the operating regions of the railway, and the evidence I have just given is based on the interchange of cars at Port Arthur and Armstrong.

Q. And one would expect that surplus to be larger during the big grain movement from the West to the East? Would that be true?

A. Yes, with the exception that of course prior to the grain movement starting, we get our cars out there. That sometimes causes a bulge in the early part of the season before the grain movement starts.



Q. And grain is the principal product, the large volume of grain, is it not? Grain is the largest volume of freight traffic from West to East, the largest single item?

A. I would imagine so. I have not looked at the figures, but I am sure you are right.

Q. If you go to Western Canada and see all the grain elevators you will be forced to that conclusion.

BY COMMISSIONER McLAURIN - The big part of that movement of cars stops at Port William, does it not?

A. You are referring to the movement of grain to Fort William?

Q. Yes?

A. The figures I have given do not take that into account, only from our central region to Western Canada.

Q. The grain movement is such as to give this predominance?

A. The grain movement to the Lake Head is in the same position as the coal traffic in a way. You move your grain to the Lake Head and again you have to move your empties back West.

Q. I was wondering what proportion of western grain comes all rail to Montreal, Halifax and St. John? I realize you cannot be accurate, but I was wondering if you could give us some rough approximation.

BY MR. KNOWLES - Very small. There is a heavy movement of flour and feed east of Port Arthur and Fort William, but grain itself does not generally move east of Port Arthur, it is carried down the Lakes by the boats.

Q. Does it follow from that that your empty movement from Port Arthur and Fort William West is much greater than your empty movement from Montreal to Fort William?

A. I would say it is much heavier, but we are just talking about the interchange movement from the East to the West.

EXM. BY MR. FRAWLEY (continued)

Q. If you were making a cost study, or commenting on the grain rate, would you be making the same observations that the grain rates must be such as to take care of the return empties from the



Head of the Lakes to the Prairie Provinces?

A. Yes sir.

Q. And you say that the rate that is charged to move that grain to the Head of the Lakes contains something to bear the expense of return of the empty cars to the points of origin?

A. It should be so.

BY COMMISSIONER MORRISON - I understood Mr. Curtis to say the other day that the cost was not taken into consideration in setting rates, at all? That it was not a factor?

A. I did not say not at all, I said it was not the only factor, I think.

BY MR. FRAWLEY - Mr. Jefferson and Mr. Knowles are going to talk to us about that.

BY COMMISSIONER McLURIN - What is the grain rate,  $17\frac{1}{2}\phi$  a bushel, but from Calgary to Fort William?

BY MR. JEFFERSON -  $26\phi$  per 100 pounds.

Q. What is that a ton?

A. A little over  $4\phi$  a bushel.

Q. About \$5.20 a ton?

A. Yes. I thought you wanted it on a bushel basis.

Q. No, as related to coal. \$5.20 a ton from Calgary.

A. And Drumheller.

Q. All the same rate to Fort William?

A. Yes.

Q. And as in coal that rate is imposed on you by virtue of the Crow's Nest Pass region?

A. Quite right.

Q. If it was not for that?

A. It would be higher.

BY MR. FRAWLEY - What revenue per ton mile so you get on the movement of this grain to the Head of the Lakes?

BY MR. JEFFERSON - Well it is I think 1223 miles from Calgary to Fort William, and 1223 into \$5.20 a ton, that is about a little over four mills per ton mile.



Q. And what would the \$5.00 rate proposed by Mr. Gouge net you in revenue per ton mile?

A. On the coal?

Q. Yes.

A. From Frumheller to Toronto?

Q. Yes.

A. Two and a half mills a ton mile.

BY COMMISSIONER MORRISON - To North Bay?

BY MR. FRAWLEY - Mr. Gouge said Orilla. Mr. Gouge says that is a fair calculation, two and a half mills per ton mile.

Q. As against four mills, which is the statutory Crow's Nest Pass rate.

A. Yes. A little better than four cents.

BY MR. KNOWLES - Take the grain rate to Toronto, it is different altogether.

EXM. BY MR. FRAWLEY (continued)

Q. Perhaps while we are talking of the grain rate, what is the rate to Toronto from one of these Alberta points?

A. Fifty-one cents.

Q. Per?

A. One hundred pounds, that is \$10.20 a ton for roughly 2000 miles. A little over five mills.

Q. Five mills per ton mile?

A. Yes.

Q. On the movement of grain to Central Canada or Toronto by rail?

A. I would not say grain, but flour and feed.

Q. It would be the same, feed grains?

A. Yes.

Q. Now we were talking of the movement of logs from Halifax to the West Coast, and if I understood you properly I got the impression that the empty flat cars, or I will put it this way.

Logs are moved from Vancouver to Halifax?

BY COMMISSIONER McLEURIN - Or timber. It might be in flat cars or box cars.



EXM. BY MR. FRAWLEY (continued)

Q. If it were logs it would be in flat cars, and timber in box cars?

A. It would make no difference.

Q. Does the rate which is charged there also take into account the necessity to get those cars back to the West coast from the East coast?

A. Yes sir.

Q. Do you simply do what you did in the case of Mr. Gouge's coal? In that case I understand you turned 1950 miles into 3900 miles. I think that was your answer to Mr. Dysart. Do you in the case of the lumber of timber which moved from Vancouver to Halifax, simply double that mileage as you did in the case of the coal?

A. I wonder if you are under a misapprehension of the manner in which rates are prepared?

Q. You did a certain thing with regard to coal, you literally doubled those miles. I want to know if you are doing the same thing with the movement from Vancouver to Halifax of the lumber?

A. My answer to that, we do not work costs before a rate is made. We work costs if for any reason the Traffic Department require to know what the rate on some particular commodity is, and if I were to work costs on lumber, or any of these other commodities, then I would have to take the operating conditions prevailing and apply them and find out what the cost was. I have not worked costs on lumber and logs, and so on, and therefore I cannot tell whether, if I did work them, the conditions would be found the same as the coal or not.

Q. Well Mr. Curtis, I was just trying to find out what you had said to your own Counsel on this. It was one of the first criticisms you made of Mr. Gouge's figure and I want to see to what extent that same criticism would apply to the movement of lumber from Vancouver to Halifax. I would like to find just what you said, although you are quite well aware of what you said, and perhaps in a brief word you can say why you found fault with Mr. Gouge's mileage of 1950. Just repeat that very



consisely and then it will give me a starting point for my questions.

A. I think I can only repeat, Mr. Gouge makes the statement that we are going to get \$4.62 for each train mile we run in order to move this coal. Now I know that that is not so.

Q. I should not interrupt you, but I have found what you said at page 4485 on the 5th of October. Mr. Dysart said:

"Q. Is that method of calculation correct?

A. It is not.

Q. Can you explain why not?

A. The reason is that the Railways would have to provide 3900 train miles in order to move this 2000 tons of coal. The reason for this is that the train and engine crews and the locomotives, not to mention the cars which handle this coal, have all got to be moved back to their original starting points, and as present westbound traffic is not sufficient to fill present westbound trains, it is clear that these additional westbound train miles, that is the train miles of the crews and locomotives that brought the coal East, that these additional west bound train miles will not have any traffic to handle except of course the coal empties."

Now I want to know whether or not when you move logs, or timber, or lumber, from the West Coast to the East Coast, do you have to provide double train miles to move the logs to the East Coast? Do you follow me and what is your comment on that?

A. The only answer I can make to that is, if the movement of logs and lumber involved the same operating conditions as the movement of coal, then I would.

Q. But do they? You say in the case of coal you have to get the double mileage?

A. I would say it is true on logs and lumber as far as I have studied it, which is to somewhere around North Bay. I think it might be true beyond, but I would have to look at the situation before I could reply definitely.

Q. That may be quite so. It just strikes the layman as a little extraordinary that you would move -- what is the mileage roughly from Vancouver to Halifax on the C. N. R.?

BY MR. JEFFERSON - By C.N.R. it is 3550 miles.



EXM. BY MR. FRAWLEY (continued)

Q. And you would have to provide 7000 train miles to move that lumber 3500 miles? That is what you say?

A. I have to qualify that by the Eastern end of Canada, which I don't know.

Q. Which you have not studied?

A. Which I have not studied. It would be true, if you wanted to say today we are going to move so much lumber from Vancouver to Central Canada, then I would have to say exactly the same thing applies to the lumber as to the coal.

Q. If you were making a cost study, I was going to say theoretically, but a genuine cost study, you say you would have to double the miles of those flat cars that brought the timber from the West Coast to the East Coast?

A. Not flat cars. We would undoubtedly have to move flat cars from Eastern Canada to Western Canada, but we would get some use of them in the East, which would reduce the amount of empty miles.

Q. You surely get some use of the fifty box cars that brought Mr. Gouge's coal into Ontario? You have admitted that undoubtedly, that you get some use of those?

A. No sir, I think as far as Alberta coal is concerned, or any other commodity moving in box cars from Western Canada to Eastern Canada, we are going to move just as many box cars west as we move east.

BY THE CHAIRMAN - Empty?

A. Yes.

EXM. BY MR. FRAWLEY (continued)

Q. While they may physically in many particular cases be used, you say that does not enter into your calculation, that you have to move as many box cars West empty as come down East loaded?

A. That is correct, Sir.

Q. And that is so notwithstanding the obvious fact that many of the cars that would come in in a train tomorrow to North Bay, would circulate in Eastern Canada for many months possibly?



. It is quite possible that those identical cars might never go West, but there will be another empty car going to take its place.

Q. And you say on the flat cars coming to the East Coast with lumber and timber, you say there is a greater use for the flat cars, and you think you would not have to charge up an equal number of train miles going westward?

A. I am speaking from memory only, but I think we get some load on flat cars for various products in the Campbellton area, and I think we would be able to load them West part of the way, then they would probably be emptied again and go the balance of the way empty. I don't think we could charge 100%.

Q. But to the extent that the timber from the West Coast came down in box cars, then you say we have to get a complete empty mileage back equal to the mileage which was transported full eastbound?

A. Again I am not sure. We have some loading of box cars out of Halifax, and we can load them part of the way.

Q. The only thing that makes you hesitate is that your actual studies have not included beyond North Bay.

BY THE CHAIRMAN - I know of one box car that came loaded from Drumheller that went back loaded with merchandise to the same place. That came under my personal observation.

EXM. BY MR. FRAWLEY (continued)

Q. When you say they always go back empty, always except in some individual cases. But you are speaking of what these gentlemen call interchange from East to West?

A. Yes.

Q. Does that mean that every time a rate is established you have to count on taking the car which carried the traffic, back to its originating place empty?

A. I don't know just what figures the Traffic Department use when making a rate, but I take it when they make a rate they take into account the empty movement. I think I had better stop there.



Q. So we will leave the rates to them, but when you are asked to make a cost study you take the empty car back to the point of origin?

A. Not always. It depends on the conditions of the time. In this case of Alberta coal, yes. I might, and have, worked many cases where it was not necessary.

Q. I suppose if you were asked to make out a cost study on the movement in the confines of eastern lines wholly, you would not always in that case take in the cost of empties?

A. We would not. We would take the cost of moving empties, but not 100% empties.

Q. In these movements from Western Canada to Eastern Canada, I take it when you work out a cost study you always charge the train miles for the empty car going back?

A. From Western Canada to Eastern Canada?

Q. Like this coal we are talking about?

A. Well I would not want to go as far as to say always, because there is traffic moving from Eastern Canada to Western Canada. We know that there are loaded cars moving from Eastern to Western Canada. To follow out the statement you have made if I understand you correctly, there would be no traffic moving from East to West, but there is, and we know it.

Q. Is it really fair then, as you state on page 4485, on the 5th of October, that you would have to provide 3900 train miles in order to move this coal? 3900 being double the mileage from the Western point to the consuming point in the East.

A. I think the statement is fair, yes. If you want to say Mr. Gouge is going to give you \$9,000 to move this coal. If you want to say all right, we will mix it with other traffic, how much will it net you, and it nets you so many dollars per train mile. But that is not what Mr. Gouge says, he says we will give you \$9,000 and that will net you \$4.62 per train mile. Now we have not got this traffic. We will put it on top of what we have and we know we will get \$9,000 for it, and we know we will have



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A. A. Curtis

to spend 3900 train miles that we would not have to spend if it did not move.

Q. That is the point I am really quarrelling with you about. How do you get the 3900?

A. Just multiply by two.

Q. That means you are not giving any credit for the use of those cars in other traffic on eastern lines? Theoretically you are sending those cars right back to Drumheller?

BY COMMISSIONER McLAURIN - You say this is new traffic that is going to be superimposed on existing traffic, and you don't say whether there will be any traffic from East to West which will help out with the additional empty movement west.

A. That is correct.

EXM. BY MR. FRAWLEY (continued)

Q. It is because it is new traffic superimposed on your existing traffic that you would have to send those cars back empty. You would have to protect yourself by calculating that they would have to go back empty unless something unforeseen would suddenly spring up to make a back movement to Western Canada, and through all that you would have to make a cost study including those empty cars going back?

A. We have to do that, Sir.

BY THE CHAIRMAN - I think Mr. Gouge's theory should now be that he would get two cars of coal in every train from Western Canada.

EXM. BY MR. FRAWLEY (continued)

Q. This was a solid train movement and you have explained the position. Suppose it went not in solid trainloads, but just a car here and there, and two or three in a train. Would that make any difference in the calculation?

A. No sir, the same situation would hold true.

Q. It would still be new traffic superimposed on existing traffic?

A. Yes sir.

BY COMMISSIONER McLAURIN - I take it this whole discussion contemplates an increase. We have a certain amount going in, the



\$8.00 rate. I assume what is behind Mr. Gouge's scheme, that this coal could be up to one million or two million tons, which would mean some substantial movement, much greater than the present movement.

BY THE CHAIRMAN - I thought the more business that any company got, the more their freight rates, or cost to the consumer would go down.

EXM. BY MR. FRAWLEY (continued)

Q. Apart from the new business which Mr. Gouge thinks would flow from his \$5.00 rate over what is being moved now, the cost calculation on the existing movement also sends the car back empty. Any cost study that you would make today on this movement as it is now, you would still say you would have to provide the double train mileage?

A. Yes sir.

Q. Even for the traffic as now?

A. Yes sir.

Q. And today it does move in just a few cars on this train and the next?

A. Yes.

Q. So whether new traffic superimposed or just traffic conveyed into your existing movement, you say you have to protect yourself by estimating the cost of sending those cars back empty?

A. I am afraid I don't follow you.

Q. I say, even on your existing movement your cost calculation sends the cars back empty and you show expense of it?

A. Yes.

Q. If you were asked to make a cost study today on the existing situation, you would make the same observations with regard to the necessity of the empty car movement back?

A. Yes sir.

BY COMMISSIONER McLAURIN - What is the mill rate on that lumber?

BY MR. KNOWLES - Nearly six mills.

EXM. BY MR. FRAWLEY (continued)

Q. Nearly six mills per ton mile?



A. Yes.

Q. What is the average per ton mile revenue?

A. At the present time a little less than nine mills per ton mile.

Q. In the case of the C.N.R.?

A. Both roads.

Q. Would you average the two roads together?

A. They are both about the same. On the average slightly less than nine mills per ton mile. In 1944 the C.N.R. was 8.93 mills per ton mile, and the C.P.R. 8.5 mills per ton mile.

Q. Now I just have a few general questions for you Mr. Curtis. I don't want to be repetitious. Would it not be possible for economies to accrue to the carriers on a multiple car movement? You did make some observations about that the other day, and I am wondering whether you have anything more to say, or would you care to summarize why you say there are no economies in the multiple or train car movement when it is fully studied?

A. I think that was pretty well answered in the C.N.R. Brief, and I don't know that I can add much more than repeat what is in there. Not the C.N.R. Brief, but the Railways Brief.

Q. Exhibit 226?

A. Yes.

Q. Let me put some of these questions to you. Is it not true that cars moving in blocks from one Consignor to one Consignee of so many cars, say 25 to 40, require less handling than cars moving individually, thus providing economies for the multiple car movement?

A. They require less handling in so far as terminal expense is concerned. There is no doubt that if you are switching at the final terminal it is cheaper to switch a block of cars than to switch the same number of cars individually, but as far as the road movement is concerned, and by the road movement I mean from Montreal to Brockville says, leaving out the switching at the two ends, then it is no cheaper, and in fact it might be in some



cases slightly more expensive.

Q. I want to call your attention to one instance. Is it so that multiple car rates have been established on coal lower than the per car rates from Stellarton, Nova Scotia, to Pictou Landing, Nova Scotia?

A. I don't know about rates, Sir.

(Page 5008 follows)



CROSS EXAMINED By Mr. Gouge.

Q You mentioned the grain rates to Toronto. Toronto is not a grain shipping point, is it, from Western Canada?

A Not a grain shipping point?

Q Not a destination for large quantities of grain originating in Western Canada?

BY COMMISSIONER McLAURIN: Feed?

BY MR. GOUGE: Feed is a different proposition.

BY COMMISSIONER McLAURIN: I thought it was feed they were talking about.

BY MR. GOUGE: Do you know the grain rates to Halifax and Saint John, that goes through in the winter time to an ice-free port? Do you know that the grain rate is 52 cents from Calgary to the East Coast?

MR. CURTIS: I think I will leave that to Mr. Knowles.

Q The grain rate which you quoted to Fort William is 26 cents. Do you know that the coal rate is to Fort William?

A Again, when you are talking of rates you will have to talk to the traffic people.

Q If I told you that the coal rate there is 32 cents?

A Likewise.

Q Did I understand you to say that the rate from Calgary to Toronto is 51 cents per hundred pounds and from Calgary to Saint John, N.B., is 52 cents?

MR. JEFFERSON: I don't know what the export rate is. The domestic rate would be much higher than that.

BY COMMISSIONER MORRISON: I merely want to find out, the rate on 100 pounds of grain from Calgary to Toronto is 51 cents?

MR. JEFFERSON: Yes.

Q And if you carry that same 100 pounds from Calgary to Saint John, N.B., you get 52 cents? I want to know if that is a statement of fact or not?

A I don't know. I haven't the rates here. We could get the information.



BY MR. GOUGE: That is a quotation from memory and I asked him if he knew that and he says he doesn't. I am stating that from memory and it is subject to correction, but I am quite sure that is right.

MR. JEFFERSON: It certainly is not the domestic rate to Saint John. It all depends when you are talking of a rate from Drumheller to Saint John whether the grain and feed are consumed in Saint John or whether they are going to Saint John for export to Great Britain. The export rates are always lower than the domestic rate.

BY THE CHAIRMAN: Of course almost all the grain going to Saint John or Halifax would be export?

A A large percentage would be export.

Q The question we would like to get is whether it is true or not that there is only one cent differential between grain leaving Calgary for Toronto and grain leaving Calgary for Halifax or Saint John?

A I can get that for you, but it won't be the domestic rate. We have got to bear in mind that the domestic rates are higher than the export rates. Your rate from Fort William to Saint John if they deliver to a merchant in Saint John is higher than the rate to Saint John if the contents of the car go to Europe.

BY COMMISSIONER MORRISON: But the cost of taking that 100 pounds from Calgary to Saint John whether exported or not is the same?

A Quite right.

BY MR. FRAWLEY: In other words, Mr. Jefferson---

BY COMMISSIONER McLAURIN: Suppose we finish with Mr. Curtis first.

BY MR. GOUGE: You said something about bringing the crews back on this special train. You don't mean that the crews of your trains go from Calgary to North Bay or Fort William?

MR. CURTIS:

A Oh no.



Q They change at every division point, don't they?

A That is correct.

Q There would be no such thing as moving a crew back?

A Pardon me, I mustn't let that go there. The crews moving from east to west on every sub-division will surely not be a crew moving from North Bay or Orillia in the east back to Drumheller in the west. There will be a crew moving from east to west on every sub-division involved. I think perhaps that is what you mean?

Q That is what I mean. The crews don't go right straight through and then come back; they change at division points on the route used in train movements from that point. Now speaking about this new traffic ---

A Pardon me again. I understand you to say, on the route used in their train movements from that point?

Q Yes.

A I don't want that taken as my correct reply to that. After the train from Kinsley got up to Saskatoon, what would happen to that crew, if you are talking about this coal, that crew would just go back in some service or other, but the movement of that train from Kinsley to Saskatoon would entail the movement of crew from Saskatoon back to Kinsley.

Q In service?

A There would be nothing else for them to move.

Q Well, I will come to that a little bit later. I want to follow up this suggestion that you mentioned about this being new traffic, superimposed upon regular traffic which the railway now has. Do you mean to imply that the railway has now reached the saturation point in traffic going east of such a nature that it would be incapable of taking any more traffic until the traffic going west equalled that going east?

A I certainly do not.



Q Then would you say that any new traffic which is thus super-imposed going east would have to pay double rates until such time as you received traffic going west equal to the movement of cars going east?

A You say should all new traffic pay double rates? Why, of course not.

Q There couldn't be a point where if the traffic of the railway would reach a saturation point it would preclude you from taking new traffic at the regular rates and the regular traffic revenue return?

A That is true.

Q Then why do you say that the coal traffic, alone of all traffic, should be treated in that way?

A Because, sir, you say that you are going to let us have \$9,000 to move this coal.

BY THE CHAIRMAN: Never mind what he says. He is asking you a very pointed question as to why you pick out the coal traffic and say, "We have got to treat it differently from others."

BY COMMISSIONER McLAURIN: Mr. Gouge is the one that picked it out.

BY THE CHAIRMAN: I know, but he is asking this witness a very pointed question.

MR. CURTIS: I say, sir, that Mr. Gouge--or put it this way, I am taking exception to Mr. Gouge's statement. Now Mr. Gouge says that he is going to allow us \$9,000 to move this coal and that we are going to expend 2,000 train miles in moving it, and therefore we get a revenue of \$4.50, or actually \$4.62 per ton. Now I say that is not so. We are going to get \$9,000 out of it and we are going to have to expend 3,900 miles on it, because that train that moves east has got to move west again, therefore we are only going to receive half as much revenue per train mile as Mr. Gouge says.

BY MR. GOUGE: Carrying that same argument to its logical conclusion, you can't accept any new business moving east at the



present time without losing money on it?

A I have made no statement as to whether we can or cannot accept extra traffic. The only statement I make is that your statement that our revenue per ton mile is \$4.62, I say that statement is incorrect.

BY THE CHAIRMAN: Suppose that the grain production of Western Canada reaches double its present figure, isn't that new business superimposed upon your railroad?

A Yes sir, and again, if that happened we would be in exactly the same position as with the coal.

Q It has happened within the last twenty years?

A Yes sir.

Q And did you apply that same method of computing your costs, or whatever you may call it, tariffs?

A May I say, sir, that we are not talking about costs.

Q I mentioned the word tariffs.

A We have not, of course, had occasion to work a thing like that.

Q You had occasion. For example, the wheat of the West has doubled and trebled--Well, perhaps trebled is a little beyond--

BY COMMISSIONER McLAURIN: No.

A My answer, sir, is that in that case the revenue per train mile is the revenue we get on it, plus train miles it required to move it East, plus train miles we had to move West again.

BY THE CHAIRMAN: That is the basis you calculate your freight rates on grain going East?

A We don't do any calculation like that.

Q How do you calculate this super-abundance of trains? Isn't the very fact that you doubled your mile rates a matter of calculation?

A Yes sir.

BY COMMISSIONER McLAURIN: Your Crow's Nest rate is a statutory rates, isn't it, something that was fixed for you by agreement?



A Yes sir.

Q And so I mean that rate, as I understand it, is not a rate necessarily relative to present costs or anything else. It is a rate by which you are bound?

A That is correct.

BY COMMISSIONER MORRISON: And if Mr. Gouge succeeded in getting a statutory rate on coal the same would apply?

A Yes.

BY THE CHAIRMAN: Your answer to me is that you don't do that kind of thing, that you don't regulate or co-ordinate those rates in connection with grain, the reason being that the Crow's Nest Pass rates are fixed?

A My answer is we don't attempt to set up revenue per train mile on any commodity, except in this particular case, we are taking exception to Mr. Gouge's statement.

Q That is just what Mr. Gouge asked you, if this was the only case, does it only concern coal? That is the reason I asked you the question about grain.

BY COMMISSIONER McLAURIN: And I suppose, after consultation with your operating officials you might concede you were ready to take any amount of coal at something around 5 mills per ton mile rather than do it around 2.5?

A Yes sir. Again I don't want to tread on the traffic department, but I think our present rate is less than 5 mills.

BY MR. GOUGE: I am coming to that mill rate eventually. We are drawing the line very sharply and distinctly between revenue for trainload movement per mile and the mill rate. Now, Mr. Curtis, isn't it a fact that in your ordinary calculations of cost you use averages and not arbitrary costs on any particular commodity? In other words, if this was any other traffic but coal, you would not segregate the coal and try to make a computation of costs but you would endeavor, after the lapse of a month, to find your costs on a basis of average? Wouldn't that be true?



A Just a moment. I have something written down here which would be better than I could say out of my head. I think the best answer I can say for that is that in finding the costs of any movement we do not attempt to find the difference between the cost of moving one commodity as distinct from another commodity. In other words, we don't try to find out how much it costs to move silk hats and how much it costs to move coal, but what we do, we say that it costs just as much to move any commodity that has a given set of conditions. Now we know that coal, for example, in our particular problem weighs a certain tonnage per car; it involves a certain amount of empty movement; it involves a certain amount of train miles, etc., and we know that any commodity, whether it is coal or anything else, that happens to fit into those particular factors costs the same to us, whether it happens to be a car of coal or a car of gravel, and therefore we find a cost which is applicable to a car or a group of cars moving under the circumstances which I have described. We apply the costs by taking appropriate statistics and applying them to each individual case. For example, if I may just read this. Now may I say here that I am stating the normal way by which the Canadian National usually figure costs. We first analyze each item of expense that the railway is put to in order to find an appropriate statistical unit or measuring stick, that is a measuring stick which varies more or less appropriately with the cost, and then having found an appropriate measuring stick we find the unit cost. For example, if I may interject here, we know that car repairs vary, generally speaking, with the amount of car miles the car performs, and therefore on car repairs we find a rate per car mile and we apply that rate per car mile to the coal movement, that is the car miles of the coal movement.

Q That is not the point I am trying to make. I want to get an



answer to this question: In computing all other traffic and its costs and revenue you do it on an average basis. In other words, you make up a statement showing average costs of all the traffic. Why not apply the average cost to the coal movement, instead of doubling our cost as a particular movement? Wouldn't the cost of moving this coal be about the average cost of everything else on the line?

A May I ask a question first? You say, in figuring the cost of other traffic. What do you mean by that?

Q Well, I mean when you read the statistics to the Trade and Commerce division showing operating expenses per train mile --do you have those figures with you?

A I haven't got them but I know them.

Q Well, I will just read them. In 1935 the operating expenses per train mile--now that is revenue train mile. You see I use the term revenue train mile because that is the term you use in making your reports to the Trade and Commerce division--the revenue received per revenue train mile in 1935 was \$3.32; in 1936, \$3.39; in 1937, \$3.38; in 1938, \$3.45; in 1939, \$3.42; in 1940, \$3.46. Are those figures the correct figures?

A Of course I don't know whether the figures are correct.

The answer to your question, sir, is that those figures have nothing whatever to do with the cost. Those figures --

BY THE CHAIRMAN: How do you calculate your revenue?

A What, sir?

Q How do you calculate the revenue you get out of your railway operations unless you do have to consider the question of costs?

A These, sir, are merely figures gotten out in various government reports which show statistically that over the years we received so much revenue and we spent so many train miles, and that the revenue we received, divided by the total train miles, resulted in a certain revenue per train mile,



or using the figures that Mr. Gouge has used, that we received so much operating revenue in freight and passenger service and we had so many train miles in freight and passenger service, and dividing one into the other we get the operating expense per train mile. Those are merely statistical figures.

BY COMMISSIONER MORRISON: They are factual, are they not?

A They are factual. They have no bearing on working costs.

BY MR. GOUGE: They have a great bearing on the revenue received from operations? If your revenue in 1935 was \$5.13 and operating expense was \$3.32, then you know about what you made per train mile on the traffic you carried, don't you?

A Yes, that is true.

Q Now why not say that coal will carry the same average costs as other traffic and put it into the returns which you make as a part of the traffic, and not double the charge for coal and nothing else?

A I don't understand you. We never have doubled the cost on coal.

Q You have attempted to double the charge made for moving it?

A I am sorry, sir, but I must take exception to that.

Q We went into this matter just briefly the other day and I thought it was covered. You or one of the others told me that moving O.C.S. traffic, whether it was material for building or gravel for ballast or empty cars or water or coal for the traffic at the division points, it all went into an O.C.S. account?

A Right.

Q That O.C.S. comes into this \$3.32 operating expense?

A That's right.

Q Now then, if we have charged ourselves with the average operating expense haven't we charged ourselves with returning these empties and all other expenses incurred in the move-



ment of this traffic?

A You are talking about two entirely different things. You can no more apply that in finding costs ---

Q I am talking about revenue now more than costs. The question of costs is a very difficult thing and we would be here till Christmas if we started in on that. I am talking about the revenue which your company receives. You get the average train mile recovered, \$5.13; you have an operating expense per train mile of \$3.32; the balance would represent the net revenue to the railway?

A Those figures, sir, cover both freight and passenger service.

Q I think not. I have copied these from the reports and it says "Average receipts per freight train mile."

A Oh, I beg your pardon. You mentioned expenses. If the expenses cover both freight and passenger ---

Q The passenger traffic doesn't pay you, you charge all the expense to freight, so that the weight of the argument is in our favor. If we charge ourselves with the gross operating expense per train mile, including freight only, then we are charging ourselves with all those O.C.S. services that you are attempting to double up and pass back to us?

A I take exception. We have never attempted to double up on anything.

Q You are doubling up on moving those empty cars back when it is in this O.C.S. service. If we pay for it there we should not pay for it again.

A My answer, sir, is that if you want to discuss costs I shall be very glad to do so, but the only thing I can say, sir, is that you are mistaken in your concept of how our costs are worked.

Q I am talking more about revenue than I am costs. I find a lot of cases where the regulating body in the United States, at least, say it is a very small matter when you consider costs. I am not discussing costs. I want to know if we have



not paid for moving these empties back the same as every other piece of traffic that moved over the line. They are charged with the operating expense which is O.C.S. service?

A I am sorry, Mr. Gouge, but how can I answer a question like that? You say you are not concerned with costs and you have just asked me a question on costs.

Q I am not dealing with costs.

A That is costs.

Q I am dealing with net revenue, the operating expense against operating revenue of the freight train mile. I want to know if when you say that all O.C.S. service is embodied in this account which is called operating expense, if a car of coal moving over the line just the same as a car of lumber has its operating expense accounted for in that item?

A My answer, sir, is that those figures represent the statistical average obtained by dividing the total freight revenue of the company or the railway by the total freight train miles. The expenses you are referring to cover the total operating expense of the railway company for both freight and passenger service divided by the total freight and passenger train miles, and they are not used in estimating costs whatsoever.

Q They are used in estimating revenue, just the same as your statement here of total gross revenue and total operating costs. That is used to find your operating ratio, isn't it?

A No sir, they are not used in finding--what was it you said?

Q Operating ratio. I think that is a term you railway people use.

A No sir, the total revenue and the total expenses are used for that, not the revenue per train mile.

Q This merely is a breakdown of the figures you just mentioned, the total gross revenue and total operating expense. The ratio between those is called your operating ratio?

A Yes sir.



Q Then this merely is a breakdown of those two capital figures only illustrated by train mile revenue?

A Yes.

Q Therefore if we take the revenue per train mile and subtract from it the operating expense per train mile we ought to have something that indicates exactly the analogous figure to what you call your operating ratio?

A You would have a figure which represents the operating ratio, but you are subtracting chalk from cheese. There is no comparison. One is freight and the other is freight and passenger.

Q I grant you that if it is it is in favor of our computation, because according to the figures I am getting all the time from the railway people passenger traffic doesn't pay. If you are charging your losses on the passenger traffic into those operating expenses, we are paying out of our revenue on freight?

A Pardon me, you are just reversing it. It doesn't cost as much to operate a passenger train per train mile as a freight train per train mile. Therefore by including your passenger expense you are getting a lower cost per train mile than you would do if you took the freight expense only per train mile.

Q You are talking about something I don't know anything about. I would have to accept your statement as correct. I have not made any examination of that. Wouldn't you say, Mr. Curtis, that if you got a large amount of additional tonnage between Western Canada and Eastern Canada it would have a tendency in itself to create more business between the two provinces? If we can ship one or two million tons of coal to Ontario, don't you think there would be more traffic coming West than there would be going West now?

A I should imagine there would be a secondarily Westbound movement which would come from the movement of additional coal.



Q Sir Henry Thornton in 1922 before a Senate committee said:

"We might be justified in making very, very low prices on coal in order to foster industry in the central regions, and then we would make enough out of the product of the industries, out of the increase in population, out of the general prosperity of the community, to compensate us for handling coal at a low price."

Do you think Sir Henry was right when he made that statement that there might be an additional traffic that you don't have now?

A I take it that Sir Henry knew what he was talking about, but haven't the railways already made a very low rate on coal?

Q Made an ordinary rate handled in the ordinary way. We are speaking about traffic handled in a different way. The rate is about what I would expect the rate to be under the freight structure handled in the ordinary way.

A It seems to me that that leaves an inference that we can handle traffic cheaper in some other way than the ordinary way?

Q Yes sir. If you can't our case is no good. You can handle traffic cheaper in trainloads than you can by single cars.

BY COMMISSIONER McLaurin: That really is your position? I thought you were generally attacking this whole rate business.

MR. Gouge: No, I am not. That is our position.

BY COMMISSIONER McLaurin: Well then, you abide by the findings of the Board of Railway Commissioners as to costs?

MR. Gouge: No, the purpose of it was not to have this board enter into a finding of railway cost; it was merely to point out that the method of computation was such as to make it positively certain that that finding of cost was high enough, and then we applied our trainload movement to those costs.

BY COMMISSIONER McLaurin: I know, but you are not quarrelling with the finding of, say Mr. Oliver?

MR. Gouge: No, not at that time.

BY COMMISSIONER McLaurin: It wouldn't be any lower now, would it?



MR. GOUGE: Yes, they would be lower now.

BY COMMISSIONER McLAURIN: With increased costs?

BY COMMISSIONER MORRISON: Efficiency.

MR. GOUGE: The operating ratio is better now than it was, much better.

BY COMMISSIONER McLAURIN: Unless on operating position solid trainload movement is possible, then you concede you haven't any case?

MR. GOUGE: I do. Based on the trainload movement being cheaper, and if we can return to the railways a revenue per train mile practically equal to what they get now, and at the same time reduce the costs of operation ---

BY COMMISSIONER McLAURIN: I don't want your argument; I want your position defined. You say that as an operating proposition you have got to make out a case for a solid train of 50 cars.

MR. GOUGE:

A Yes.

BY COMMISSIONER McLAURIN: Now you recognize the picture insofar as the C.P.R. is concerned?

MR. GOUGE: I don't.

BY COMMISSIONER McLAURIN: Well, that they have divisions on which they can only take 25 cars.

BY THE CHAIRMAN: I don't think we should set up any argument at the present time by the Commission.

BY COMMISSIONER McLAURIN: No, I just want a definition. You appreciate that you have to meet that, and probably haven't got to meet it with the C.N.R.?

MR. GOUGE: I can only say I have no fears about the Canadian Pacific being able to handle this trainload of coal if the rate was ever established on that system, they have handled so many worse situations than that and done it with great efficiency.

BY COMMISSIONER McLAURIN: As the Chairman quite properly says,



this is not a time for argument, but I just wanted your position defined.

MR. GOUGE: That is our position.

MR. CURTIS: Well, sir, my reply to Mr. Gouge's statement is that ---

BY THE CHAIRMAN: Which statement now?

MR. CURTIS: That it is cheaper to move in trainload lots than by our standard method of operation, is that he is mistaken.

BY THE CHAIRMAN: That is a poor answer to it.

MR. CURTIS: I will try and show why. A cardinal principle of efficient railroading is to get all the tonnage you can on a train, and the railways not only set up breaking points called divisional points every few hundred miles, where the train crew operates from, and if you can take 40 cars over the first sub-division and you can take 60 cars over the next sub-division, well, if you only take 40 cars you would be wasting the capacity of the locomotive to pull 20 cars. Now that is a standard principle of railroading, to get all the traffic you can on a train, and we have specific records to ensure that our yardmasters will load their trains to capacity. So that if you use a solid train instead of using the standard method of operation you are first of all limited to the minimum sub-division that you have got, the sub-division that has the smallest load per train, and you are handling that load through and you are losing all the capacity you might be using on the other sub-divisions.

BY COMMISSIONER McLAURIN: How much variation is there in your system? Not a great deal, is there? The C.P.R. have a lot, but you haven't got much?

A Well, sir, in moving coal out of Drumheller, as shown in the railways' exhibit, we can take 30 cars from Drumheller to Hanna, then it goes up to 40.

Q Mr. Gouge's argument there is that there might be some way of overcoming that Drumheller hill. Let's assume that for the moment.



- A. The tonnage from South Parry to Washago, that is on the way to Orillia, is 40 cars again.

BY COMMISSIONER MORRISON: Go back to Hanna.

- A. 40 cars is the next minimum, from South Parry to Washago.
- Q. Give it to us from Hanna on.
- A. Hanna to Kinsley he can take 48 cars, but of course his coal train is only going to have 40. From Kingsley to Newcross, 52, and from Newcross to Watrous, 55. From Watrous to Melville it drops down to 50. From Melville to Rivers he can take 56 cars; Rivers to Winnipeg he can take 78; from Winnipeg to Reddit, 61; from Reddit to Sioux Lookout, 56; Sioux Lookout to Armstrong, 54; Armstrong to Nikina, 58; Nikina to Hornepayne, 57; Hornepayne to Foleyet, 55; Foleyet to Capreol, 54; Capreol to South Parry, 47; South Parry down to Washago, 40, and from Washago down to Allandale 48.

BY COMMISSIONER McLAURIN: As a layman I would not be much impressed with your slight variation from 48 to 55. I may be entirely wrong but I should think that just in the ordinary traffic there would not be much of a spread between 48 and 55.

- A. I see your point, sir, but if we followed Mr. Gouge's proposal the minimum train is 40 cars.

MR. GOUGE: 50.

- A. Pardon me, 40, from South Parry to Washago.

BY COMMISSIONER McLAURIN: His proposition is 50. We are just skipping the Drumheller hill.

BY MR. GOUGE: What is the mileage from South Parry to Washago?

- A. 40 miles.

Q. I will give you that. Take the train in two pieces.

- A. Suppose you did handle this solid train, what expense are you going to save? You are not going to save any train crew wages. It is going to cost you just as much; in fact you know it is going to cost you more, because you are only going to put part of a train on. Instead of being able to



move 3,000 gross tons on a train you are going to put a lesser amount.

BY COMMISSIONER McLAURIN: Yes, but leaving that factor out, you say you don't save on train crew?

A You don't save anything on train crew. The only thing you can save is the expense at individual terminals. For example, a train gets to Melville, the switching at Melville is saved.

BY MR. FRAWLEY: Marshalling trains and that sort of thing?

A That is so, but if I may say so, they only mean the crew wages handling it and a few allied expenses. Practically speaking the only saving is the yard crew wages. Everything else goes on the same anyway. You don't change your yard-master because you happen to run through in a solid train instead of the normal operation. The Board of Railway Commissioners when they found the costs of moving Alberta coal to Ontario in 1931 found costs to North Bay and Toronto of \$6.13 and \$6.88 respectively. Of course they didn't figure out the actual cost expended in the yards but they did show that yard service generally amounted to 53 cents per ton to North Bay, 53 cents out of \$6.16, and 68 cents per ton out of \$6.88 to Toronto. Now that is the total yard expense they found. It didn't include any yard expense originating because that is set up in a separate calculation, but it did include the expense of terminating the cars. Now we know that there are certain yard expense that have to come along. The switch engine has got to come along and take the cabooses off. It is sometimes going to be necessary to cut a cripple out and repair it. Sometimes owing to weather conditions it is going to be necessary to cut the train in half, and when it gets to Toronto it has got to be switched anyway, whether it comes in solid trains or any way, so we are not going to save all of that 53 or 68 cents, so that any way you look at it you can't save only 10 per cent.



BY COMMISSIONER MORRISON: What would be conservative figures you would save of those amounts set up by the Board of Railway Commissioners? You say 10 per cent?

A I would rather not make a guess. The Board say our total expense for yard service is roughly 10 per cent. I would say slightly less, but I would not like to say how much.

BY MR. GOUGE: You have given us those figures. I am asking about the charges for yardage. You mentioned certain charges.

A 68 cents to North Bay.

Q On a 2,000 ton train that would be \$1360, wouldn't it?

A Yes.

Q On the other one it would be \$1320 for switching?

A That is true.

Q Now on this question that is the big question in our case, and I hesitate to offer anything of my own and have refrained from doing so, but I have quoted from the Interstate Commerce Commission, who have expressed their opinion on this subject, and would you regard their opinions of any weight or value in determining costs of railroading?

A They usually know what they are saying, sir.

Q This is a quotation I have here:

"The importance of locomotive load is apparent from the fact that the wages of trainmen and enginemen, which amount to about 40 cents per mile, are constant so long as it is not necessary to pay the crew at penalty rates, irrespective of the transportation produced by the crew. The cost of trainmen's and enginemen's wages per train mile, for example, from Purcell, Okla., to Arkansas City, 154 miles, is the same for a manifest train of 2200 tons using 6 hours 15 minutes as it is for a drag of 2800 tons using 12 hours. The same principle is applicable to some of the other train expenses."

Now according to the opinion that is there very clearly set out there is a vast saving in trainload movement as against other movement?

A As I understood you to read that, it just shows the reverse. He says if we have 2,000 tons we pay X wages; if we can get 3,000 we still pay X wages; if we only have 1,000



we still pay X wages. Therefore if we can load more traffic on the train ---

Q Now they conclude that quotation with this language, and I am going to ask you a question about it: "The same principle is applicable to some of the other train expenses." In the hearing you mentioned before the Railway Commission in 1927 there were a large number of items introduced as items of expense in a report made by the Hon. Frank Oliver. He enumerates those in 19 items. I am going to ask you, the first one, superintendence. Now we are comparing a train of 50 cars as against 27. Would there be any extra expense in superintendence if the train moved at 50 cars or if it moved at 27?

A Just one minute, sir. What page was that referred to?

Q You will find it in that report of 1927 at page 13. Hon. Frank Oliver mentions different items of cost that were submitted, and I want to know if there would be any increase in that item if a train had 50 cars and another one had 27?

A My answer to that is that there would be no increase, but I must add there that the report for 1927 was set up on two bases. I will have to mention that I am going on my memory.

Q I am just asking you if those particular items would in any way be increased by a trainload of 50 cars, followed by another of 27?

A My answer, sir, was no, but may I finish? My answer is no, there will be no difference, but the 1926 estimate which you refer to--I am going by memory now--was set up on two bases; first, what was the average cost of moving coal; second, what was the out-of-pocket cost? Now in the average cost it rightfully took account of a proportion of superintendence, but in the out-of-pocket cost, which was the additional amount of money we had to take out of our pocket and pay out because we moved that train, the superintendents were left out.



Q I grant you that. I am just trying to get an answer to those statements the Board makes here. Now No. 2, dispatching trains. Would there be any additional cost in dispatching service?

A There would be no difference between a 27 and a 50 car train, but again depending upon the amount of coal you are going to move.

Q I am just talking about two trains moving one after another.

BY THE CHAIRMAN: I don't want to interrupt you at all, but didn't you go over this thing the other day and read those same items to this witness the other day?

BY MR. GOUGE: I didn't follow those items right through. I will be glad to abandon it but the gentleman brought up this question by saying there is no saving by moving a long train against a short one. Station employees was the third item. Would there be any difference in the work of the station agents if the train moved at 50 cars or moved at 27?

A You will pardon me, sir, I didn't finish my previous answer. There is no difference in the cost of dispatching a train of 50 cars or 27 cars but inasmuch as dispatching wages, generally speaking, follow the train miles you can operate maybe 10, 20, 30, maybe a thousand extra trains without any extra wages, but there comes a time when because you have extra train miles you have got to put on an extra train dispatcher. The same thing applies to station employees. Certainly there would be no difference between a 27 car train and a 50 car train.

Q No. 4 is weighing, inspection and demurrage bureau. Now that one there may be a little difference?

A Possibly.

Q No. 5, Station supplies and expenses, would that item be increased?

A No sir.



Q Engine house expense?

A Well, no, I wouldn't think.

Q Signal and Interlocker operations? Would it cost any more to signal a 50 car train than a 27?

A No sir.

Q Crossing protection. Would there be any increase in that item?

A No sir.

Q Draw-bridge operation?

A No sir.

Q Stationery and printing?

A I don't think that would go up very much either.

Q Operating track facilities?

A That might go up; it wouldn't be very heavily.

Q Insurance?

A I don't think.

Q Clearing wrecks? Is there any possibility of there being more wrecks?

A Well, of course if it were derailments you have got 50 against 27 cars.

Q Damage to property? That of course doesn't relate to property being transported? There would be no more risk?

A No sir.

Q Damage to livestock? You wouldn't kill any more cattle with a 50 car train?

A I don't think so.

Q Loss and damage to freight. Now there again you might claim some advantage if there was any loss and damage to a coal train.

A No sir, one of those items would be affected, but on the other hand, none of those items are included in the operating costs.

Q Although the expenses which are charged up against the movement of cars are not increased by moving 2,000 tons as against



1400, you have saved something on the operation of this trainload movement, haven't you?

A No sir.

Q You think not?

A These expenses would not be affected whether you had a trainload train--I am referring now to the additional cost the railway would have to pay out--whether you had a trainload train or whether you operated in the normal process of operation.

Q That is what I am trying to get in the record. There would be no increase in the cost there? We could move 2,000 tons of coal, so far as those particular items are concerned, at the same cost you would move 1,000?

A As far as those items are concerned it would make no difference how you handled the coal.

12.00 NOON - COMMISSION ADJOURNED TO 2.00 P.M.

AFTERNOON SESSION

The Commission resumed on Thursday, October 18, at 2 P.M.

BY MR. FRAWLEY: Now that completes the examination of Mr.

Curtis. Mr. Gouge tells me that he has finished. Perhaps Mr. Spence will take over for the moment.

MR. K. D. M. SPENCE: There are one or two things I would like to ask Mr. Curtis before he leaves the stand. The first, Mr. Curtis, I don't know whether it was made quite clear. On page 3 of Exhibit 227, Mr. Gouge's supplementary brief, there is a comparison between average train load and the train loads of Mr. Gouge's coal. Can you say whether it is proper to compare the average train load in net tons for these various years of all traffic, with the actual train load results of the 50 car train of Mr. Gouge?



A I think, Mr. Spence, that that has been pretty well covered. I do not think Mr. Gouge's comparison is fair at all. Taking his figure of \$4.62 and using that, he says that we are going to get \$4.62 per train mile for a 2,000 ton train, and he is charging the train miles one way only, and he compares it with a train load of varying weights. The 1934 figure as shown is 522 tons instead of 2,000, and it is an average train load for all railways in Canada. Now of course there isn't any such physical thing as an average train load of all railways in Canada. It is merely a statistical unit which is derived by taking all the revenue, dividing by all the freight train miles, and the freight train miles which went to make up that unit were like the three bears in the fairy story: some of them were big trains, some of them were middle-sized trains, some of them were little trains, and some of them didn't have any cars on at all. So that this freight train has already within it the empty train miles, and therefore it is not fair to compare a result which already has in it the empty train miles with a coal train figure which has no empty train miles in it.

Q In other words he is comparing a loaded train with a train that has both loads and empties?

A Yes sir.

Q That is, the average train has both loads and empties?

A Yes sir.

Q And he is talking in his coal movement of only the loaded train, without regard to the empty trains that are caused by it?

A Yes sir.

BY COMMISSIONER MORRISON: At that point, do I take it that this average train load shows there are a lot of trains going both ways pretty lightly loaded?

A Yes sir.



Q So there might be room for Mr. Gouge's empty cars going back without too much extra cost?

A We happen to know there wouldn't be in this case, sir.

BY MR. SPENCE: In any event, didn't you say this morning that that engine, caboose and train crew had to go back?

A Yes sir, they had to go back even if there were no empties.

Q So if a 50 car train came down you might add the 50 to another train and send 100 car train back west, but you would still have your engine and caboose in the east that would have to go back west?

A That is correct.

BY MR. FRAWLEY: Why couldn't you put the engine and caboose in an ordinary train and send it along?

A Those statistics are set up according to rules prescribed by the Dominion Bureau of Statistics.

Q Well, is there anything against putting an engine, calling it a car, into an already existing train and in that way getting it back into the Western sub-division?

A Well, when you come to Western Canada, yes sir. We have certain scheduled agreements in Western Canada whereby we have agreed as a normal thing not to operate two engines over a sub-division.

BY COMMISSIONER MORRISON: Agreed with whom?

A The railway unions, the operating unions, and the agreement is that if for some emergency purpose or if we have to operate two engines over a sub-division we cannot put more traffic on than the largest engine on the train could carry, and in any event not more than 35 cars, so that you are up against the proposition that with one engine you can possibly take 40 or 50 cars but if you put two engines on you are limited to 35.

BY MR. FRAWLEY: But I don't mean to operate the engine, I mean to treat it as an empty car, tack it on to the train?

A If you did that you would have to, what we call strip it,



fix it up for movement light. It wouldn't make an awful lot of difference; you still have to pay your train crew going back. You would pay them the same whether you let them dead-head back on a passenger train or whether you let them operate the engine back.

BY COMMISSIONER MORRISON: And rightly so.

A Quite rightly. They are doing quite as much work as they are if they are operating a train.

BY MR. FRAWLEY: Would you say there are practical difficulties in treating an engine as another car and sending it back?

A There are not only practical difficulties, but we are not allowed to do it by our agreement.

BY MR. SPENCE: There has been considerable discussion about this lumber traffic from Vancouver to Halifax this morning. In Mr. Gouge's brief he spoke of a 25 ton minimum load. If a train load of lumber were going from Vancouver to Halifax would you say it was reasonable that each car would contain the minimum?

A No, it would certainly take more than the minimum. Or may I correct that? I certainly think it would take more than the minimum.

Q That is, if you could get 50 tons onto a car it would be unreasonable to load your cars to only half capacity? That is, you would not send 50 car loads of lumber with 25 tons in each car? You would send 25 cars with 50 tons in each car?

A Well, sir, that of course would depend on ----

Q That is, provided they could be loaded with 50 tons?

A If the shippers would load them. It would depend upon the shippers.

Q Would you say in actual practice, do those carloads of lumber move with a minimum load in them?

A It is my understanding they move on heavier than minimum.

I have some figures here that could answer that directly.

The figures for June 1945 were 30.9 tons as the average load



on Canadian National for lumber, and 31.4 tons on the Canadian Pacific.

Q So that from each carload of lumber you would get a higher revenue than the revenue stated by Mr. Gouge?

A Yes sir.

Q Now in the hearings before this Commission on the 6th of October Mr. Commissioner Morrison asked you a question about labour costs, a comparison of labour costs between 1936 and 1944. That was on page 4511 and 4512 of Volume XLIX, October 6th, 1945. The same question was asked at page 4421 of Volume XLVIII, but that was directed to Mr. Dysart. Now have you prepared any figures on the comparison of unit labour costs as between 1936 and 1944?

A I have, sir.

Q And you have those figures for both the Canadian National and Canadian Pacific?

A I have figures here for both the C.N. and C.P., yes sir.

BY MR. SPENCE: This will be filed as Exhibit 251.

Exhibit 251 - Comparison of Representative Unit  
Labour Costs - Years 1936 & 1944 -  
Canadian National Railways

	<u>1936</u>	<u>1944</u>	<u>Increase</u> <u>Amount</u>	<u>%</u>
<u>Maintenance of Way:</u>				
Track laying and surfacing, per 1000 gross ton miles	12.96¢	13.24¢	.28¢	2.2%
<u>Maintenance of Equipment:</u>				
Labour proportion of - Repairs to locomotives, per locomotive mile	10.8¢	15.1¢	4.3¢	39.8%
Repairs to freight cars, per freight car mile	.512¢	.546¢	.034¢	6.7%
<u>Transportation:</u>				
Yard Service wages per 1000 car miles -				
Yard masters and yard clerks)				
Yard conductors & brakemen )				
Yard enginemen )	\$6.64	\$9.08	\$2.44	36.8%
Yard motormen )				
Yard switch & signal tenders)				



	<u>1936</u>	<u>1944</u>	<u>Increase</u>	
			<u>Amount</u>	<u>%</u>
<u>Transportation (cont'd):</u>				
Wages of Freight train & engine crews - per train mile	38.4¢	52.8¢	14.4¢	37.5%
per 1000 gross ton miles	28.0¢	30.7¢	2.7¢	9.6%

Maintenance costs in 1944 are understated because the shortage of labour and materials in that year kept maintenance at a minimum. Deferred Maintenance included in the accounts, but not in the foregoing labour costs, amounted to \$10,000,000.

Montreal, Que., October 17, 1945.

Exhibit 252 - Comparison of Representative Labour Unit Costs - Years 1936 & 1944 - Canadian Pacific Railway Company

	<u>1936</u>	<u>1944</u>	<u>Increase</u>	
			<u>Amount</u>	<u>%</u>
<u>Maintenance of Way:</u>				
Track laying and surfacing, per 1000 gross ton miles	13.96¢	14.43¢	.47¢	3.4%
<u>Maintenance of Equipment:</u>				
Labour proportion of -				
Repairs to Locomotives, per locomotive mile	8.79¢	12.02¢	3.23¢	36.7%
Repairs to freight cars, per freight car mile	.398¢	.463¢	.065¢	16.3%
<u>Transportation:</u>				
Yard Service wages per 1000 car miles -				
Yard masters & yard clerks )				
Yard conductors & brakemen )				
Yard enginemen )	\$5.82	\$7.87	\$2.05	35.0%
Yard motormen )				
Yard switch & signal tenders )				
<u>Freight trains:</u>				
Wages of train & engine crews, per train mile	37.62¢	50.61¢	12.99¢	34.5%
per 1000 gross ton miles	24.01¢	28.35¢	4.34¢	18.1%

Note: The increases in maintenance labour costs would have been greater than shown above had it not been for the shortage of labour and materials in 1944. Deferred Maintenance included in 1944 accounts, but not in the above labour costs, amounted to \$6,500,000.

Montreal, October 17, 1945.

BY MR. SPENCE: Now, Mr. Curtis, taking the Canadian National statement first, Exhibit 251, I notice that in every case there is an increase in the unit labour costs. These increases range from 2.2% in maintenance of way up to 39.8%



in maintenance of equipment, the labour proportion of repairs to locomotives. Have you any comments to make on that?

A I think the only comments that I have to make on this statement are that we have taken out what seemed to us to be representative groups of labour expense. I should perhaps preface that by saying that the railways do not keep their accounts so as to show freight and passenger labour expenses separately. Therefore we are sort of compelled to give you the best we can, and we have taken ---

Q I notice in a number of items here the reference is to freight; repairs to freight cars, for instance?

A That is a particular item which we have segregated and therefore we are able to give it to you.

BY COMMISSIONER MORRISON: I think, if you will look at the question I asked, I referred to labour costs per ton mile.

A That is correct.

Q You are not suggesting this is a complete answer to my question of labour costs per ton mile, are you?

A No sir.

Q I should certainly hope not.

BY MR. SPENCE: Are the records kept in such a way that that information is readily available?

A No sir.

BY COMMISSIONER MORRISON: I was talking of labour costs per ton mile. These exhibits are certainly not talking about that, are they?

A No sir.

Q So they are not an answer to the question I asked on that day?

A No sir, they are not; they are the best we could do.

BY MR. FRAWLEY: You can't prepare what Mr. Commissioner Morrison asks as to that point?

A I suppose if we took time we might be able to make some estimates, but the information is not available in our records as they are presently set up.



BY MR. SPENCE: I notice the Canadian Pacific statement is very similar. It takes the same items and gets approximately the same increases, so to the best of your knowledge and belief it has been made up in the same way?

A I understand the two statements are made up on the same basis.

BY COMMISSIONER MORRISON: In short, you are in very much the same position as you suggested Mr. Gouge was this morning. You are not talking of comparable things?

A That's right, sir; that is when I refer to your question.

BY MR. SPENCE: Well, I understand the witness has said this is the nearest he can get from the existing records of the company.

BY COMMISSIONER MORRISON: I don't quarrel with the witness but your question, your very leading question, purported, as I understood it, that this was in answer to my question.

BY MR. SPENCE: Yes, it is in answer to your question.

BY COMMISSIONER MORRISON: That is not what the witness said.

BY MR. SPENCE: To the closest extent we can get it.

BY COMMISSIONER MORRISON: That is not what the witness said.

BY MR. FRAWLEY: Would you ask them that they spend some time?

BY COMMISSIONER MORRISON: Oh no.

BY MR. SPENCE: I have no further questions.

C. E. JEFFERSON Sworn by the Chairman as to facts, opinions and information to be founded on a reasonable basis.

EXAMINED By Mr. Spence.

Q Mr. Spence, what is your position with the Canadian Pacific Railway Company?

A Freight traffic manager.

Q And how long have you acted in that capacity?

A Since 1930.

Q Could you give a brief description of your duties as freight traffic manager, that is as to what the scope of your responsibility is?



- A My responsibility as freight traffic manager is in charge of supervision of traffic rates on divisions in Canada and the United States.
- Q How many years have you been with the Canadian Pacific?
- A In Canada I have been with the Canadian Pacific for 32 years, since 1913.
- Q And what were your duties with the company before you assumed the position of freight traffic manager?
- A Well, I came to Montreal with the Canadian Pacific in 1913 in charge of what we call the division, the manner in which we apportion rates between the railroads, and in 1916 I was made assistant general freight agent in Montreal; in 1922 general freight agent at Winnipeg; 1923, assistant freight traffic manager in Winnipeg, and in 1930 freight traffic manager in Montreal.
- Q Now I understand there was prepared by the two railways a compilation of orders-in-council, judgments and orders of the Board of Transport Commissioners, and various other documents relating to the movement of Alberta coal to Ontario. That was prepared for the purpose of this present inquiry?
- A That's right.
- Q We will file that as Exhibit 253.

Exhibit 253 - Compilation of Orders-in-Council, Judgments and Orders of the Board of Transport Commissioners, and other documents re movement of Alberta Coal to Ontario.

- Q Of course a great deal of this consists of public documents, judgments and orders, but there is an introductory paragraph prepared by the railways, commencing at page 6 and running to page 9, and I think that you might read that into the record, Mr. Jefferson.

MR. JEFFERSON proceeds to read Exhibit 253:



Orders in Council, Judgments and Orders of the  
Board of Transport Commissioners, and other  
Documents re Movement of Alberta Coal to Ontario

The data herein have been compiled for the purpose of collecting in a single file the various Orders, Judgments and other documents relating to freight rates and movements of coal from Alberta, (and a few points in Eastern British Columbia) to Ontario.

As shown by this record, the question of rates on coal from Alberta to Ontario has been the subject of extended consideration and investigation for many years by the Railways, the Board of Railway Commissioners for Canada (now the Board of Transport Commissioners for Canada), the Dominion Government and the Provincial Governments of Alberta and Ontario.

The arrangement of the data as shown by the index is self-explanatory, but it may be stated briefly that the consideration extended to this matter has included experiments with four special rate levels (exclusive of the normal rates) namely, \$6.75, \$7.00, \$8.00 and \$9.00 per net ton; the preparation of ten different studies of the cost of moving coal from Alberta to Ontario, five of these cost studies having been made by the Canadian National and five by the Canadian Pacific; the promulgation of eleven Orders in Council by the Dominion Government (Section A hereof); the issue of twelve Orders (Section B); the issue of seven Judgments (Section C); and the taking of 1187 pages of oral testimony (Section C-8) by the Board of Transport Commissioners; the estimated payment of over four million dollars in subsidies by the Dominion Government for the movement of this traffic (Section D); and the issue of sixty-four special tariffs by the Canadian National Railways and Canadian Pacific Railway, of which examples are included, as shown in Section E.

The normal tariff rate on coal from Alberta (Drunheller district) to North Bay, Ont., is \$10.90 per net ton, and to



Toronto, Ont. \$12.70 per net ton, as published in Canadian National Railways Tariff No. W. 160-K, C.R.C. No. W-354, and Canadian Pacific Railway Company Tariff No. W-5195, C.R.C. No. W-2727. These rates have been in effect for 22 years and the Board of Railway Commissioners on March 16th, 1933, in their report to the Governor in Council following the enquiry as to a reasonable rate per ton for transporting coal from Alberta points to Ontario under P.C. 439, dated March 16th, 1928, found as follows:-

"We have determined that the tariff rates are only slightly in excess of the operating expense cost of transporting coal.

"Giving consideration to the relation of coal rates to rates on other commodities and without disturbing the parity but keeping in mind the factors which in the national interest may properly be taken into consideration, it is our judgment the reasonable rates on coal from Alberta points to points in Ontario are the rates published in Canadian National Railways Tariff C.R.C. No. W-354 and Canadian Pacific Railway Company Tariff C.R.C. No. W 2727."

(Section C-6, page 3)

While the normal rates above referred to have been in effect for many years, the movement of coal from Alberta to Ontario has since 1923 been the subject of several experiments by way of sub-normal rates and subsidies during a period of nearly 22 years.

The initial experiment with regard to the movement of Alberta coal to Ontario was made by the Canadian National Railways in 1923 at the instance of the Alberta Government, and consisted of a movement of only 4,961 tons, for which an experimental rate of \$7.00 was quoted. This rate was considered entirely unremunerative. It was followed shortly thereafter by another movement of 1,250 tons at \$9.00 per ton, and various other experimental lots were shipped in 1925 and 1926 at rates of \$7.00, and in some cases \$9.00 per ton (e.g. P.C. Order No. 1446, Section A-1a) all of which is shown on page 10 hereof.

On February 13th, 1926, by Order in Council P.C. 225 the Dominion Government directed the Board of Railway Commissioners



to report on the cost of the transportation of coal from producing points in Western Canada to consuming points in Ontario (Section A-1). In compliance with this Order the Board, after investigation, issued a report (Volume 17 of the Board's Judgments, pages 439-467) (see Section C-1 hereof) finding that the out-of-pocket cost was \$7.22 per ton, the inclusive cost of operation \$10.07 per ton, and the inclusive cost plus the element of profit \$12.20 per ton. Mr. Commissioner Oliver in a separate report expressed the opinion that the out-of-pocket cost, however, was somewhat less, namely \$6.50 per ton, but that he was unable to draw definite conclusions from the evidence submitted as to the inclusive costs (page 441).

Order in Council P.C. 439 of 16th March, 1928 (see Section A-2) established a policy having as its object the supplying as far as possible of Canada's coal requirements from Canadian mines, and requiring that a temporary freight rate of \$6.75 per ton be established to be effective for not less than three months in each year while the test was continued, with the cost of the movement to be supervised by the Board of Railway Commissioners, and the difference to be paid by subsidy. Order P.C. 439 was supplemented by four other Orders in Council, as shown in Section A, continuing the experiment, to and including Order P.C. 1179 of 18th May, 1932.

As a result of Order P.C. 439, the Board of Transport Commissioners, in their Judgment dated February 1st, 1930 (Section C-2) found that the cost of moving coal from Alberta to Ontario was \$8.23 per ton including overhead and fixed charges, and that the Railways were entitled to the difference of \$1.48 per ton between the cost so found and the temporary rate of \$6.75. In a report dated February 24th, 1931, (Section C-3) the Board found that the cost for 1929 was \$8.97 per ton. In a report dated December 10th, 1931, (Section C-4) for the season of 1930, the Board found an interim cost figure of \$2.22 per ton above the sub-normal rate of \$6.75, or a total rate of \$8.97 per ton.



Pursuant to the terms of P.C. 1179 of May 18th, 1932, the Board made a further investigation and certified on February 1st, 1933, to the Minister of Mines that the out-of-pocket cost of moving coal from Alberta to North Bay was \$6.16 per ton and to Toronto \$6.88 per ton (Section C-5). However, upon further consideration the Board decided the under the provisions of Order in Council P.C. 439, they were not justified in allowing the Railways only the bare out-of-pocket costs and recommended, in a report dated March 16th, 1933, (Section C-6) that in their judgment the reasonable rates on coal from Alberta points to points in Ontario are the normal rates published in Canadian National Railways Tariff C.R.C. No. W-354 (Section E-3) and Canadian Pacific Railway Tariff C.R.C. No. W-2727 (Section E-4). The Board further recommended that the Railways be paid the difference between these normal rates and the temporary rates which the Railways had previously been allowed. This report was followed by a report (Section C-7) dated June 26th, 1933, recommending that the Railways be paid additional amounts for the haulage of coal during the seasons of 1928 to 1932 inclusive, such differences being the amount per ton to bring the rates up to the normal basis, e.g. Drumheller to North Bay \$10.90, Toronto \$12.70.

After this development, further conferences took place between officials of the Dominion Government and the Railways, as result of which Order P.C. 740 of 24th April, 1933 (Section A-7) was issued and supplemented by Order P.C. 3286 (Section A-8), and superseded by P.C. 7588 (Section A-9), as amended by P.C. 3064 (Section A-10), establishing a rate of \$8.00 per ton for the movement of coal from Alberta to Ontario, the Dominion Government to pay \$2.50 per ton of this rate, and the balance of \$5.50 per ton to be paid by the shipper. Coal has moved from Alberta to Ontario under this arrangement since the year 1933.

Normal tariffs on coal from Alberta to Ontario are at-



tached under Sections E-3 and E-4. The original tariffs, effective April 15th, 1928, covering the temporary rate of \$6.75 per ton are attached under Sections E-5 and E-6. Tariffs covering the original sub-normal rate of \$8.00 per ton, effective June 8th, 1933, are attached under Sections E-7 and E-8, and the present tariff covering rate of \$8.00 per ton is attached under Section E-9 and E-10.

Following is a summary of the various sub-normal rates and subventions:

<u>Year</u>	<u>Rate Per Net Ton</u>	<u>Remarks</u>
1923 (July)	# \$7.00	Experimental rate for movement of 4,000 tons made on request of Alberta Government under Section 345 of Railway Act. (4,961 tons shipped) No subvention paid.
1923 (Aug.)	# \$9.00	Special rate to apply on an additional movement beyond 4,000 tons (1,250 tons shipped) No subvention paid.
1923 (Sept.)	# \$7.00	Further experimental lot of 10,000 tons arranged at the instance of the Government of Ontario under Section 345 of the Railway Act and distributed through the medium of the Provincial Fuel Controller, No subvention paid.
1925	# \$7.00	For movement of 25,000 tons authorized at request of Ontario government under Section 345 of Railway Act. (24,734 tons shipped) No subvention paid.
1926	# \$7.00	For movement of 50,000 tons authorized at request of Ontario Government under Section 345 of Railway Act. (49,754½ tons shipped) No subvention paid.
1926 (Sept.)	# \$9.00	Further experimental lot of 1,987 tons shipped at instance of Dominion Government under provisions of Order P.C. 1446 of September 24, 1926.
1928 to 1933 (March)	\$6.75	Nominal rate published under the provisions of Order P.C. 439, March 16th, 1928, with the proviso that the Railways be reimbursed for their additional charges. This was at first determined to be the difference between the rate of \$6.75 and the rate of \$8.23, found by the Board as the out-of-pocket cost; later this principle was changed to accord the Railways the difference between the rate of \$6.75 and the normal tariff rates quoted.

# - Shipments made only via Canadian National Railways



<u>Year</u>	<u>Rate Per Net Ton</u>	<u>Remarks</u>
1933 (June) to 1945	\$8.00	Subnormal rate established under the provisions of Order in Council P.C. 740 of April 24th, 1933, and subsequent continuing orders under which \$5.50 per net ton is paid by the shipper and \$2.50 per net ton is paid by the Dominion Government by subvention. The present Privy Council Order is P.C. 7588 of October 1st, 1941.

BY MR. SPENCE: Now, Mr. Jefferson, would you turn to page C-1, that is a Judgment of the Board of Transport Commissioners of September 22, 1927, that states that "In compliance with the direction of Order in Council P.C. 225, of date the 13th day of February, 1926, advising that,--

'the Board of Railway Commissioners for Canada be requested to immediately inquire and report to the Government upon the question of the cost of transportation of coal per ton in full capacity trainload quantities for such seasonal movement as above mentioned from producing points in Western Canada to consuming points in Ontario,' "

and so on, and that is the judgment in compliance with that direction. On page 441 of that judgment there are findings of the Chief Commissioner and Assistant Chief Commissioner which you mentioned in the preliminary remarks to this exhibit, and those figures are shown as out-of-pocket costs, \$7.22 per ton; inclusive costs, \$10.07 per ton, and inclusive cost plus the element of profit, \$12.20 per ton. Well now, were those findings on the basis of trainload quantities?

A Yes sir.

Q So that it would appear that this whole investigation of trainload quantities has already taken place before the Board of Transport Commissioners?

A That is correct.

Q And what about the present rate of \$8.00 per ton? Would you say that that originated out of an inquiry into trainload movement of coal?

A I would say the present rate of \$8.00 per ton was based on a volume movement but it was a negotiated rate. It was a



rate that was agreed to by the railways and the Government and it is a subnormal rate. The normal rate is \$12.70.

Q The normal rate for ordinary carload quantities is \$12.70?

A To Toronto, yes.

Q And the \$8.00 you say is a negotiated rate, and that the early investigations of the Board which led up to the establishment of this rate, or the negotiation of this rate, were on trainload quantities, or what did you call them? Large quantities?

A Volume movement of coal. I would like to draw the Commissioners' attention, if I may, to Sections E-1 and E-2, which show that the year 1942 was the peak movement of coal from Alberta to Ontario and the two railways in 1942 moved 539,351 tons east with a subvention of \$1,248,386. In 1943 and 1944 there wasn't much movement because the Coal Controller would not permit the movement to take place from west to eastern Canada in any volume.

Q That was as a war measure?

A Yes sir.

Q Now have you anything to add at this time?

A I don't think so.

Q Well then, have you prepared an answer to the statement that has been made several times before this Commission that grain rates are invariably lower than coal rates, in actual figures?

A Yes sir, I have an exhibit here which I would like to file.

Exhibit 254 - Comparison of Grain and Coal Rates -  
Drumheller to Saskatoon, Moose Jaw,  
Regina, Brandon, Winnipeg, Fort  
William, Toronto



			<u>Grain Rate</u>		<u>Coal Rate</u>
			<u>Mileage</u>	<u>Crows Nest</u>	
<u>TO</u>		<u>Miles</u>	<u>Rate</u>	<u>Rate</u>	
<u>Rates in Cents per 100 lbs.</u>					
Saskatoon,	Sask.	315.0	.26	.26	.14
Moose Jaw,	"	394.1	.29	.26	.15½
Regina,	"	434.2	.30½	.26	.17
Brandon,	Man.	656.5	.37	.26	.22
Winnipeg,	"	782.1	.41	.26	.23½
Fort William,	Ont.	1215.7	.49	.26	.32½
Toronto,	"	1989.4	.51	.51	.40

Office of Freight Traffic Manager,  
Canadian Pacific Railway Company,  
Montreal, Que., 16th October, 1945.

BY MR. SPENCE: What does that exhibit show?

A At page 4471 of the transcript of evidence Mr. Gouge stated that the grain rate is 20% lower than the coal rate almost everywhere. Now Mr. Gouge is apparently misinformed. I thought it was well to prepare this small exhibit to show that the rates on grain are invariably higher than the coal rate with the exception of from Drumheller to Fort William. Now if you will look at this statement you will see that the mileage rates on grain are always higher than the coal rates, but in one instance, to Fort William the statutory grain rate, or the Crows Nest Pass grain rate, as we call it, of 26 cents is lower than the coal rate to Fort William of 32 $\frac{1}{2}$  cents. I would also like to point out that the rate on grain from Drumheller to Toronto is a little more than double the rate Mr. Gouge suggests on coal to Toronto of \$5.00 a ton. In fact the rate on coal to Toronto is one cent lower than the statutory grain rate to Fort William.

Q This coal rate that you mention is based on the \$8?

A The coal rate based --

Q That is as shown in your exhibit?

A Oh yes.



BY THE CHAIRMAN: Did the Crows Nest Pass freight rate make a freight rate east as well as west for grain?

A You mean west to the coast?

Q Yes, west to the coast.

A You mean from the prairies to the coast?

Q Did it affect the rates on grain going east?

A Oh yes, all the rates on grain, western grain to eastern Canada, are based on the rate from Crows Nest Pass east to Fort William, plus the rates east from Fort William.

BY COMMISSIONER McLURIN: But the Crows Nest Pass rate has no application on grain shipped to Pacific terminals?

A Only with respect to the export rate to Vancouver, where they are not based on the statutory rates to Fort William mile for mile but they have a relationship to the Crows Nest rate.

Q That is to bring about parity you worked out a western rate which is equivalent to the Crows Nest Pass rate east to Fort William?

A The rate on grain from Calgary to Vancouver--I would like to mention this; it was mentioned this morning that the service was just the same whether you took the Vancouver local delivery or going to the Orient. We have three rates on grain from Calgary to Vancouver. We have an export rate of 20 cents, we have a feed grain rate of 30 cents, and we have a rate on grain and grain products, that is on wheat or flour, of 41½ cents. The service on all three of those rates you may say is identical but they are different rates, different movements.

Q But your 20 cent rate is comparable to the Crows Nest Pass rate to the Lakehead?

A It has a relation to it.

Q It is not enforced by virtue of the Crows Nest Pass negotiation at all? It is something you had to negotiate after terminals were built at Vancouver?

A Something the Board of Transport Commissioners compelled us to negotiate.



Q. Now Mr. Jefferson, I believe you have one other Exhibit which will be No. 255.

EXHIBIT 255 - Statement showing Comparison of Distances, Revenue per train and Revenue per train mile on Various Commodities, as shown in Brief of the Domestic Coal Operators' Association of Western Canada, dated October 3rd, 1945.

BY MR. FRAWLEY

Q. This is a statement commenting on Exhibit No. 227?

A. Yes.

Q. Now Mr. Jefferson that looks very complicated to me. I will leave you to comment on it. Have you any remarks to make as to this Exhibit?

A. This Exhibit is prepared to show a comparison of the distances, Revenue per train, and revenue per train mile on various commodities as shown in the Brief of the Domestic Coal Operators' Association of Western Canada, dated October 3rd, 1945, with the correct distances by route of Canadian National Railways and Canadian Pacific Railways, using same number of tons per car and cars per train as shown in Brief of the Domestic Coal Operators' Association of Western Canada. Now the A, B, and C are explained at the bottom of the Exhibit. "A" is "As shown in Supplementary Brief on Coal Transportation submitted to the Royal Commission on Coal by Domestic Coal Operators' Association of Western Canada, dated October 3rd, 1945. "B" is the route of Canadian National Railways, "C" is the route of Canadian Pacific Railways. Now the Brief of the Domestic Coal Operators' Association of Western Canada is misleading in the following respects:- (1) "Long Route" mileage rather than "Short Route" mileage used in the calculations. Rates are predicated on "Short Route" mileage. (2) "Tons per car" shown is tariff minimum weight. Actual weight invariably much in excess of minimum weight. (3) Number of "Cars per train" does not fairly represent the number of cars handled on trains between the points shown. (4) Taking all of these factors into consideration would materially increase the "Tons per train", "Revenue per train"



and "Revenue per train mile". Now I might take first of all one section of this exhibit on which there was considerable comment, Rate on Hardware from Winnipeg to Saskatoon of 5 tons or a minimum of 10,000 pounds, 27 cars to the train, and 135 tons per train. In the first place if anybody had 135 tons of hardware to ship from Winnipeg to Saskatoon they would not put it into 27 cars, they would build the cars up. I asked our people in Winnipeg to let me know how many cars of hardware we handled from Winnipeg to Saskatoon under this rate during the year 1944 and the first nine months of the year 1945. In the year 1944 we handled 55 cars, the lowest weight was 8660 lbs. (billed of course at 10,000) and the highest was 33,180 lbs., and the average 21,380 lbs. That average is the actual weighted average without regard to the 10,000 minimum. The first nine months of this year we handled 54 cars, the lowest weight was 10,050 lbs. and the highest 33,080 lbs. or an average of 21,660 lbs. Now this exhibit shows that the Short Route mileage of the C.N.R. is 470 miles, line B, and on the basis of 5 tons per car with 27 cars per train the revenue would be \$4.42 per train mile, or an average weight of 21,000 lbs. per car, or  $11\frac{1}{2}$  tons, 27 cars would be 310 tons and the train mile earnings would be \$9.29.

BY COMMISSIONER McLAURIN - What you have just said now is not in this Exhibit?

A. No, Sir. Something I figured out this morning in reply to this telegram I received.

EXM. BY MR. FRAWLEY (continued)

Q. Up to that point there is not much discrepancy between Mr. Gouge's figures and yours?

A. No. In some instances Mr. Gouge's figures are all right. But from Winnipeg to Saskatoon the mileage over C.P.R. and C.N.R. is fairly equal, but when you take the first item, Crude Oil from Calgary to Regina, there Mr. Gouge says 562, and the C.N.R. is 519 and the C.P.R. 467. Now for rate making purposes the only distance from Calgary to Regina is 467 miles. But what I want to emphasize



in connection with this Exhibit is that my quarrel with Mr. Gouge's Brief is that we just don't handle cars with just the tariff minimum weights in them and 27 or 25 cars per train, if you take the average train, and this 27 cars which Mr. Gouge has is the average number of cars per train for the whole of Canada. If that average is going to be a maximum and you have a lot of country where you don't handle 27 cars per train, what will happen to the average? It will get down to 15 cars per train. You handle on Divisions as many cars as the engines operated on the Division haul, or the weight that they can haul taking car and contents into consideration.

BY COMMISSIONER McLAURIN - You say this is actual experience on this Winnipeg-Saskatoon run, not theoretical but actual experience, from tonnage hauled results in revenue per train mile of Ten Dollars, is it?

A. But still on the basis of Mr. Gouge's 27 cars per train, but I don't know how many cars we can handle from Winnipeg to Saskatoon, we might handle 40 or 50 or 60, and then \$9.29 does not fairly represent the train mile earnings from Winnipeg to Saskatoon.

Q. As far as you are able to trace back actual experience and know how the tonnage moved, you arrived at instead of \$4.44?

A. \$9.29.

Q. Which is not speculative but the result of actual calculation from what happened?

A. Yes, but that is not what happened.

Q. What I want to be sure is that that figure you are giving us is an actual calculation from such information as you possess?

A. On his estimated number of cars per train.

Q. Is it estimated?

A. Mr. Gouge takes the average number of cars per train of 27 cars.

Q. I don't follow you. I understand you arrived at this \$9.29 by making inquiries of your Winnipeg office and getting exact information of what movement of tonnage there was to Saskatoon?



Q. Let me explain it this way. Mr. Gouge's Brief showed a tariff minimum of 5 tons per car for 27 cars from Winnipeg to Saskatoon. I say in the first place that that is not the right figure to use, 5 tons per car, because during the year 1944 and the first nine months of this year the cars actually handled averaged  $11\frac{1}{2}$  tons per car.

Q. That is how you got \$9.29?

A. Yes.

Q. Then you say that does not reflect the entire picture because you still work it out on a basis of a limited number of cars, whereas you might be running a larger train which would give you a revenue per train mile of something larger than that, which you have not the data to calculate.

A. Yes, that is right.

EXM. BY MR. FRAWLEY (continued)

Q. And \$4.33 is simply repeating all of Mr. Gouge's information, but using 480 miles rather than 470?

A. That is right.

BY MR. SPENCE - You have dealt with hardware, and you have some criticisms with regard to the method of calculation in respect to hardware. Do the same criticisms in general apply more or less to the other items in that list?

A. Yes sir.

EXM. BY MR. FRAWLEY (continued)

Q. Perhaps I misunderstood. This Exhibit does not endeavor to convey to the Commission what your actual experience is. You have simply corrected Mr. Gouge's mileages and then used all the rest of the information he has placed before the Commission in his Exhibit?

A. Yes, but this Exhibit does not show either what the earnings would be on these commodities if we handled 2000 tons of them from and to the points that are shown. Because the tons per train here vary from a low of 135 tons to a high of 1500 tons. Now if those trains were all based on 2000 tons per train, the



train mile earnings would be very much higher than the Exhibit shows. But of course you appreciate that you cannot handle 2000 tons for all of those movements if you don't put a larger quantity in the cars than shown in that statement. You have to bear that in mind too.

Q. You have made specific inquiries in regard to the movement of hardware from Winnipeg to Saskatoon, but you probably have not gone into the same investigation with regard to all of the other movements, have you?

A. No sir.

Q. Now I have a few questions. Going back to this Exhibit 253 which is a compilation and collection of Orders-in-Council. Going to P.C. 740 which you mentioned in the opening 10 pages, and found in Section A-7, page 1, this is the first reference to the payment of the \$2.50 subvention, and I would like to read this short paragraph to you. It is provided:

- (2) That with respect to such movements of coal referred to in the above Section (1) the assistance granted shall be by the reduction of \$2.50 per net ton from the existing rail rates when same amount to \$8.00 per net ton or in excess thereof, the amount of the said reduction being payable to the railways.

That leaves unanswered the particular fashion in which the \$8.00 rate came into effect. It simply says they will pay you \$2.50 from the existing rail rates whenever they amount to \$8.00 a ton or more.

BY COMMISSIONER McLAURIN - He says it is a negotiated rate, that after all these inquiries by the Board of Transport Commissioners and the Government, they made a deal of \$8.00

BY MR. FRAWLEY - You say: "After this development further conferences took place between officials of the Dominion Government and the Railways, as result of which Order P.C. 740 of 24th April, 1933 (Section A-7) was issued and supplemented by Order P.C. 3286 (Section A-8), and superseded by P.C. 7588 (Section A-9), as amended by P.C. 3064 (Section A-10), establishing a rate of \$8.00 per ton for the movement of coal from Alberta to Ontario, the



Dominion Government to pay \$2.50 per ton of this rate, and the balance of \$5.50 per ton to be paid by the shipper." I don't want to be too critical, but careful reading of that would indicate that an Order-in-Council established the rate of \$8.00, which of course is not right.

A. It does in this way. That that rate is really negotiated every year, and either the Minister or Mr. Neate..

Q. The Dominion Fuel Board?

A. Yes, they ask the Railway if they will renew that rate for another year provided the Government continues the \$2.50 per ton subvention, and since 1933 we have acquiesced in it every year.

Q. But it is a rate established by the Railways, is it not?  
Not by Order-in-Council?

A. Oh no, it is established by the Railways in negotiation with the Government. I don't want you to get the idea that we think it is fair.

Q. I wanted to see how closely it was tied up with the Order-in-Council, and I think you regard it almost as part of the Order-in-Council?

A. I think we do. It was negotiated in 1933 with the understanding that the Government would issue an Order-in-Council.

Q. Establishing the rate?

A. Yes, with a subvention of \$2.50.

BY COMMISSIONER McLAURIN - I believe one of the complaints of the coal people out West is, we want a statutory rate, this is voluntary and the Railway is free to withdraw it. I don't suppose you are free to withdraw it after having it so many years?

A. We probably could let it expire at the end of the 31st March each year. I suppose there is doubt of its permanency, because we might let it expire at the end of some March, but of course today we cannot let it expire because we are held down by the price ceiling, and it was a rate in effect during the basic period.

BY MR. FRAWLEY - And you do approve it as a rate that lasts as



long as the \$2.50 subvention from the Dominion Government?

A. That is right.

BY COMMISSIONER MORRISON - If some shipper who could not qualify for subvention, is that the rate he is charges? If a shipper in Alberta who could not qualify for the subvention, whose mine was not opened on a certain date..

A. I think that has been changed.

Q. Temporarily during the war?

A. Yes.

Q. Let us go back to the date it was not changed?

A. Yes.

Q. If that shipper wanted to ship a carload of coal into Ontario via C.P.R., and he found the cost of production was so cheap that he could carry it for the \$8.00 rate, you would still have to carry his coal for the \$8.00 rate?

BY MR. KNOWLES - He would pay \$12.70.

BY COMMISSIONER MORRISON - In other words unless you get \$2.50 from the Government and \$5.50 from the shipper, you cannot accept the \$8.00 rate?

A. That is the way it is.

BY COMMISSIONER McLAURIN - If the Government provided that the only people who were going to be benefitted were those people in operation and shipping prior to December 31st, 1930, anybody coming in later does not get the benefit of it?

BY COMMISSIONER MORRISON - I want to know how voluntary this freight rate is. Unless you get \$2.50 from the Government - I am a shipper who wants to ship and I cannot qualify for the \$2.50, you will not take my coal for \$8.00?

BY COMMISSIONER McLAURIN - You would have to pay \$12.70.

BY COMMISSIONER MORRISON - How voluntary is the rate?

BY COMMISSIONER McLAURIN - It is voluntary on the part of the Railway.

BY MR. JEFFERSON - The Tariff says "Applicable only on shipments for which the Coal Administrator, War Time Prices & Trade Board has issued authorized acceptances. The number of the acceptance each car must be shown on the Bill of Lading.



for each car must be shown on Bill of Lading by the shipper. Provided acceptance has been issued by the Coal Administrator, Wartime Prices and Trade Board, authorizing shipment, the Dominion Government under the provisions of Order-in-Council P.C. 7588, dated Ottawa, Ont., 1st October, 1941, will make payment to this Company of \$2.50 per ton of 2000 lbs.

EXM. BY MR. FRAWLEY (continued)

Q. Now Mr. Jefferson, what are the basic freight rates in Canada? What would you call the basic freight rates, what kind of rates?

A. Well the basic freight rates in Canada are of course the standard mileage class rates which we cannot publish without prior approval of the Board of Transport Commissioners.

Q. And can one find in those class rates the rate which is applicable to any sort of traffic throughout the Dominion of Canada?

A. Those class rates with our classification, which also require the approval of the Board of Transport Commissioners prior to publication.

Q. And coal can be found in one of those classes?

A. Yes.

Q. Do you know which one?

A. Tenth class.

Q. Coal does not move from Western Canada, or at all, as a class rate in carloads?

A. I don't know of any movement of coal under that rate.

Q. If one wants to get something better from the Railway Companies, what does one go to ask for or look for?

A. They go and ask the Railway for a rate. Do you want to talk about coal only?

Q. No, anything.

A. Of any given commodity from Point "A" to point "B", and he would give his reasons why he could not pay the class rates.

Q. And what kind of rate would he be asking for, and looking for, the second class of rates?



A. In addition to the standard mileage class rates we have, generally speaking, class rates on a lower basis than the standard mileage. Then the party would ask for a commodity rate.

Q. Are they, generally speaking, lower than the class rates?

A. Yes, otherwise there would be no use in not publishing them.

Q. So a shipper, shipping a new industry, would go and ask for a commodity rate?

A. Yes.

Q. And that is only arrived at after a discussion between the shipper and the Railway Company, which would show why he should have a cheaper rate than the class rate?

A. Yes.

Q. What are those factors?

A. I could talk all day today and tomorrow on what factors are used in rate making, but we will take one example if you will. Commodity X if you like. They want to move it from A to B, or perhaps to a number of points, but it will be produced at point "A", and they want a shipping rate. We ask the shipper what rate he wants, and he will give us an idea of what rate he wants, and we ask him why, and he will explain to us his competition, if he has any, it may be market competition or any kind of competition, and we also have to take into consideration of course what is this commodity competing with; is it competitive with some commodity moving from another source of supply, or is it competitive with an analogous commodity which could be used for the same purpose but not the same name, and when we get through with all these discussions, if we do not think he should have a lower rate we do not give it to him, and if we think he needs a lower rate, we may not give him the rate he asks, but may give him something lower than the class rate.

Q. When does the ten mile rate enter into your decision to reduce the class rate to enter into something lower on a commodity basis?

A. Two things, one is the ten mile earnings and the other the car mile earnings. There again it depends on the nature of the commodity, the value of the commodity, whether it is a high priced



commodity or a low priced commodity. On many commodities we make rates on we get far higher than our average ton or car mile earnings, than if the average was the minimum. We have so many below the average, and the average would go lower than it really is.

Q. If the shipper said he needed a rate of five mills per ton mile, and your average was nine. Have you in the past made commodity rates which would earn you five mills per ton mile when your average was nine?

A. I suppose we have.

Q. How are you able, what are the factors which enable you to say you will take five mills per ton mile for this particular traffic when your average was nine for some years?

A. If we found there was real necessity for making a rate that paid five mills per ton mile, it would have to be a long haul. Short haul rates are much higher than long haul rates. We would analyze both ton and car mile earnings. If we could get a car mile earning, and with 5¢ ton mile earning, which would be above our car mile earnings, and there was justification for it, we might do business. But I might say in that connection that the rate which Mr. Gouge proposes on this coal would only, as I said this morning, from Drumheller to Toronto, using our distance of 2027 miles at \$5.00 per ton, would only pay us a quarter of a cent per ton mile, and \$5.00 a ton at 40 tons per car would only be 9.9¢ per car mile as compared with our average in 1944 of 8½¢ per ton mile and per car mile 27¢. I would not be guilty of making a rate that would pay the C.P.R. 1¼¢ per ton mile and 9¢ per car mile from Drumheller to Toronto.

Q. Following on that, is this question of the export rate on grain. It was pointed out to you that you got 51¢ per cwt. on grain, I think from grain products moving to Toronto, and only 52¢ for similar traffic moving to St. John, New Brunswick. You queried whether that 52¢ was an export rate. What are the facts about that?



A. Well now the domestic rate on grain from Drumheller to Toronto..

Q. What do you call a domestic rate?

A. For consumption in this country.

Q. And the export rate is for consumption out of this country?

A. But not the United States. Now the rate from Drumheller to Toronto for home consumption is 51¢ per 100 lbs. Now the rate to St. John for home consumption is 66¢ per 100 lbs.

Q. To St. John from Drumheller for home consumption?

A. Yes, and to Halifax for home consumption would be 68¢. But now the rate from Drumheller to Halifax or St. John for export in the winter months is 29¢ and 26¢, or 55¢ on grain and flour.

Q. What is it in the summer months?

A. It is 52¢, 26¢ and 26¢. But in the summer months of course there is not the movement that there is in the winter months.

Q. Is this export rate voluntary, filed and established by the carriers?

A. Yes.

Q. And approved by the Board of Transport Commissioners?

A. It is approved before it becomes effective. Filed with the Board subject to attack by anyone who does not like the rate, and then the Board must decide what the rate should be.

Q. It is a tariff rate voluntarily established by the Railway Companies?

A. Yes.

Q. Just like the rate for home consumption is a rate voluntarily established by the Railway Companies?

A. I want to explain that the rates on grain from Fort William whether to Toronto or St. John or Halifax, whether domestic or export, are made to meet water competition.

Q. Why are you satisfied with 1¢ more revenue per 100 lbs. on this grain, some of which stays in Toronto for home consumption and the other moves to St. John for export? You only get 1¢ more. Why are you content?



A. The export rates are established to enable the exporters in this country to meet foreign markets against world competition.

Q. And if you would regard the movement of coal from Alberta to Ontario in the same light as you regard the movement of grain for export, then you would be able to give them a much lower rate than you now give them?

A. I think we have done more than that now.

Q. You think the rate of \$8.00 is comparable to the grain rate to St. John and Halifax that we have just been discussing?

A. Well I would even take the lowest rate on grain from Drumheller to Halifax and St. John for export, for 52¢.

Q. What does that earn per ton mile?

A. It earns more than the rate from Drumheller to Toronto of 25¢ which Mr. Gouge suggests.

Q. And how would it compare with what you are now getting on the coal?

A. It would probably be less.

Q. Have you ever made a calculation to ascertain whether or not you are making or losing money on the grain you carry to St. John for export purposes?

A. No sir.

Q. But you don't obtain any assistance from the Government to make up any alleged loss, or anything of that sort?

A. No.

Q. You do receive assistance from the Government to compensate you for the reduction brought about as a result of the Maritime Freight Rates Act?

A. Not on traffic going East.

Q. But on traffic moving out of Nova Scotia West?

A. Yes.

BY THE CHAIRMAN - There is one thing I am very gratified to learn, that when the Board of Transport Commissioners before they were called that name, the very first thing they had to do with this matter, they undertook it from what is in the national interest



and based on reasonable rates. There is an impression abroad in this country that the coal rates (in my own opinion anyhow) that the freight rates as established by the Board were based entirely on the general freight structure of the country apart from their being reasonable or anything else, and I see here something which I didn't know, that they did in their judgment establish reasonable rates on coal from Alberta, in the national interest, which are as \$10.90 and \$12.70. To me it makes all the difference in the world as to how it was arrived at. I never knew they investigated it from that viewpoint.

A. The Board of Transport Commissioners consider that the normal rate is a reasonable rate.

CROSS EXAMINED BY MR. GOUGE

Q. Mr. Jefferson, in your preliminary statement you said that in the 1927 investigation the Railway Transport Commissioners were investigating the rate on a basis of train-load movement. Are you sure about that?

A. Well the Order-in-Council..

Q. The Order-in-Council says that, but I will read you from page 442. The Order-in-Council did say it was considered on the basis of train load movements, but in the adjudication the Chairman says:

"Mr. Oliver, the expert witness for the Province of Ontario, did not take into consideration any particular volume of coal."

He was the expert hired by the Province of Alberta, and this was the Commission's finding. This is September 1927, C-1.

BY COMMISSIONER McLEURIN - Is this the majority finding?

BY MR. GOUGE - Yes, reading from the Chairman's statement.

He intimated that he didn't consider quantity was an important factor, and he dealt with coal as a movement as being traffic intermingled with other traffic, and not with train-load movements.

A. But Mr. Mallory of the Bureau of Statistics of the Canadian National Railways dealt with it as a train-load movement? But I



understand that in dealing with it as a train-load movement (and the C.N.R. will correct me if I am wrong) he included in his figures which made them lower than they otherwise would have been, adding to the train of 50 cars of 40 tons to the car, other cars where on a Division more cars could be handled.

A. I don't know that. I could not dispute it, but there is nothing in the findings, or in the evidence set out in the reports, that would indicate that there was any attention paid to train load movements.

Q. Well in the cost study which was made on May 23rd, 1927, by the Bureau of Statistics of the Canadian National Railways, and filed with the Board of Transport Commissioners, they made this

comment: "Inasmuch as full capacity train loads would not be available..... and inasmuch as there is no consuming centre in Ontario which can absorb this product in such quantities ....and no place in Alberta where train loads could be assembled.....I have based my study on an assumed continued movement in train loads from Drumheller to Toronto."

A. Yes, as I understand, he based his study on continued operation as it was then in force, and not on train load movements.

Q. He said there was no consuming centre capable of taking train loads, and no place in Alberta where train loads could be assembled. Then there was no study based on train load movements, or cost established on train load movements

A. This was based on train-load movements, but adding to that other traffic.

Q. It would not be a train-load movement if he was adding other traffic. It would be a mixed train. We are proposing a solid train load movement which would require practically the same operating costs..

A. If I understand correctly, this cost item here was based on a train-load movement of 2000 tons, adding to that other traffic which could be added, and to my mind would be a benefit to the coal industry rather than a detriment.

Q. I understand this language that no attention was paid to the idea of train-load movements, and in going through the submissions



the finding is based upon average cost of all commodities.

There was no segregation of any class, or different commodities, but the finding was based on the average cost of all commodities.

BY THE CHAIRMAN - It would look to me that that statement should go in as evidence if you wish it to.

BY MR. GOUGE - I apologize.

BY THE CHAIRMAN - Just put the question to this gentleman, if you have that idea yourself tell him what it is and ask him what he thinks about it.

EXM. BY MR. GOUGE (continued)

Q. I am submitting this statement in the report of the Chief Commissioner on page 442. In this Exhibit that you presented Mr. Jefferson (254) you have given the mileage rates, you have set up a mileage rate on grain..

A. That is the mileage commodity rate on grain in Western Canada.

Q. There is no commodity rate between Drumheller and Saskatoon and Moose Jaw or Regina, on grain?

A. Yes, Sir.

Q. A commodity rate?

A. Yes. I might explain to the Commission Mr. Gouge that we have in the Prairie Provinces a mileage commodity rate on grain for all movements in the Prairie, but not our Statutory grain rates to Fort William, the law says those rates cannot be exceeded between two intermediate points on direct line from point of origin to Fort William. You can't exceed from Drumheller to Saskatoon because that is intermediate on the C.N.R., or to Moosejaw or Winnipeg or Brandon, because they are intermediate on the C.P.R. You can't exceed the Crow's Nest rate of 26¢. But if you had a movement of grain from the southern part of Saskatchewan going to a point in Northern Saskatchewan, you would have to have one within the boundaries, here is 315 miles, that commodity rate would be 26¢, and if 394 miles it would be 29¢.



Q. The same rate to Fort William?

A. If 315 miles. Well the rate to Fort William from Drumheller is 26¢; the rate from the Prairie Provinces where it is not intermediate for 394 miles would be 29¢. And they are all below class rates. The mileage grain rates are much below the 8th class rates.

Q. Taking a comparison with the coal rates, are you familiar with the grain rate to Fort William, and the coal rate?

A. Very well.

Q. Drumheller?

A. Oh yes, as this Exhibit shows. Grain rate 26¢, coal rate 32 $\frac{1}{2}$ ¢.

Q. Do you know the rate to Churchill on the two items, over C.N.R.?

A. From Drumheller?

Q. Yes.

A. No, Sir.

Q. Is there any C.N.R. man present that knows rates?

BY MR. KNOWLES - The rate to Churchill on grain I believe would be 26¢. I don't know the coal rate.

Q. The grain rate is 25¢.

A. May it 25¢. It may be a little shorter mileage.

Q. The coal rate is 31¢

A. I don't know. 22 $\frac{1}{2}$ % higher. Those are the rates I had in mind. Those rates to intermediate points in the Prairie Provinces. They have just as much grain to ship out of Saskatoon as we have in Drumheller.

Q. But you do move feed grain, cross country movements?

A. Small quantities. It is only in isolated instances where you will find coal rates higher than the grain. I don't think you will find any other instances except Fort William and Churchill.

Q. It is the same to Winnipeg.

A. No, the coal rate to Winnipeg is only 23 $\frac{1}{2}$ ¢.

Q. 24¢ is it not?

A. 23 $\frac{1}{2}$ ¢. \$4.70 a ton to Winnipeg.



Q. My recollection is \$4.80.

A. I think you will find 23¢ is correct.

Q. Long shipments like Fort William, Churchill and points of that nature, rates are higher?

A. It may be because the statutory grain rate to Fort William and the grain rate to Churchill are made as a statutory rate and not mile for mile.

Q. What is the classification for grain?

A. Eighth class.

Q. Higher than coal?

A. Yes.

Q. It requires cars that do not leak in top or bottom?

A. Yes.

Q. And they have double or stronger car doors?

A. They have the same car door but they put a grain door in.

Q. They put a double car door in?

A. Yes sir.

Q. A carload of grain would be how much, \$2000.

A. \$1.00 a bushel, 2000 bushels.

Q. And how much is the carload of coal worth?

A. You are a better judge of that than I am.

Q. At \$3.50 a ton how much would it be for 40 tons?

A. \$140.00. But how much grain have you in the car you are talking about. 2000 bushels of wheat would weigh 120,000 lbs. or 60 tons. You have 50% more grain than you have coal.

Q. If we put in 80,000 lbs. that would be about how many bushels?

A. About somewhere in the vicinity of 1200 bushels.

Q. In any event the value of a car of grain would be at least eight or nine times as much as a car of coal?

A. That might be.

BY THE CHAIRMAN - What price are you placing on the grain?

A. \$1.00 a bushel.

EXM. BY MR. GOUGE (continued)

A. Grain would average about \$1.00, I think. Mr. Jefferson



is giving the average value. If it was wheat it would be higher?

A. I think the price of wheat today would be \$1.25.

BY COMMISSIONER McLAURIN - \$1.55.

MR. JEFFERSON - I think the Wheat Board give \$1.25 today.

EXM. BY MR. GOUGE (continued)

Q. I think you were giving the average price of grain of all kinds, not of wheat. Now respecting this rate from Saskatoon Mr. Jefferson, I expect to use that again, on hardware, miscellaneous hardware.

A. From Winnipeg to Saskatoon.

Q. Which you said yielded more than our statement would indicate. Do you understand that this statement was prepared on a basis of what you published as the rates?

A. Quite right.

Q. And not upon your experience. When you publish your rate base upon a minimum tonnage and a certain rate per mile, you are inviting traffic on that basis?

A. Yes.

Q. What I am trying to get at, I am only using those rates for comparative purposes. If you are willing to assume that rate, publish it and take the traffic that comes on it, then am I right in assuming that you can make money on that basis?

A. Yes, but if you are going to take 2000 tons of coal from Drumheller to Toronto, you should take 2000 tons of hardware from Winnipeg to Saskatoon.

Q. No, I am asking for a rate which will guarantee a minimum tonnage in the car and on the train. I am comparing that with a rate you make on another basis, which I assume is sufficient to cover the cost and make money. You may make more than your published rate would indicate, but I only wish to get the idea that if that rate can be met, then another rate of the kind we want could be met.

A. I know Mr. Gouge, but who ever heard of a 135 ton train moving from Winnipeg to Saskatoon. It is so absurd.



Q. No, it is not. That is the specification in your rate.

A. But you don't handle it.

Q. But you have invited traffic on that basis, and if offered you would take it on that basis?

A. We would not take 135 tons from Winnipeg to Saskatoon on a train.

Q. Is there anything to indicate that there is a limitation?

A. We would fill the train out.

Q. Suppose there was enough to make a train of 27 cars?

A. There would not be enough in a car.

Q. There might be 27 different shippers?

A. There would not be.

Q. I am talking of something that you have agreed to do if it did exist. If there were 27 people in Winnipeg wanted to ship a carload each on the same day, you would take it all?

A. We would not take only those 27 cars. You base your 27 on the average train throughout the whole of Canada. Who ever heard of a main line train going with 27 cars if you could handle more.

Q. I am using the average statistics.

A. That is where I say they are all wrong. Averages are no good.

Q. They figure out pretty close. I have tested them out in a number of ways, and I would like to ask you to make a few comparisons. 1944, Trade and Commerce Records, page 585.

You will find there statistics for 1936 and 1942. If you would like to make a calculation the first one says -

Receipts per ton \$3.38  
Average haul 348  
Train load 526 tons  
Average load per car 24.73

That is far below the 27 car. The higher one is the 27 car, but if that figure was wrong, then this revenue of \$5.10 per freight train mile would be wrong, would it not?

A. But as I understand it from what Mr. Curtis says, and my knowledge of statistics, that this average on the coal haul in



Exhibit 255 is a loaded train mile average, but my contention is that it is not based on the proper weight per car or the proper cars per train. If you are going to make your maximum your minimum, what will happen to your minimum?

A. The record says freight revenue per train mile, freight traffic?

A. Yes.

Q. On the ground that if you had 2000 tons of that material you could earn a lot more money..

A. Quite right. You have to compare like with like.

Q. I am not comparing your earnings, but what you have advertised to accept as a rate, that rate would yield on the average train, the average load, the amount I put in this record. If you get more than that you are fortunate, but that is the rate you publish and agree to accept. I am using these rates only for comparative purposes, not to prove that you are not making money.. But I submit if you can take a rate of that kind and publish it and fulfill it, then we are offering you something that is equally as good.

A. I cannot agree with you.

Q. That is the purpose of that. Not to try and show that you were not earning money. But that is what you advertised to do.

A. But my only fault with your Brief is that it is underestimated. We don't handle trains with just the minimum number of cars.

Q. But you advertised that rate, and if offered in that way that would be what you would get, and that is the rate you are offering to take. I am assuming that the rate you offer to take is the rate that makes money. That is all. Now I understand there is someone else who is acquainted with rates that is going to give evidence.

Q. About what?

A. About rates.

A. Mr. Knowles is here.



BY MR. FRAWLEY - This is all the evidence it was proposed to call Mr. Gouge.

BY MR. GOUGE - Then I am not finished. I thought Mr. Knowles was going to give evidence. Will he give evidence on rates and rate-making?

BY MR. SPENCE - I think Mr. Jefferson has covered the freight to a considerable extent, and to all practical purposes I suggest Mr. Jefferson has answered the questions involved here.

EXM. OF MR. JEFFERSON BY MR. GOUGE (continued)

Q. You did say in your examination that the value of the commodity had something to do with rate making?

A. Yes sir.

Q. And the distance of the movement is another element?

A. Yes.

Q. Now there is one element which is mentioned by the Hon. Frank Oliver called The Value of Service to the Shipper. I find it in many of the discussions. What do you mean by that?

A. Value of service to the shipper?

Q. Yes?

A. I don't know, other than the transporting of his goods from where he wants to ship them from to where they are to go.

Q. That question was discussed by the Hon. Frank Oliver. He says the value of the service to the shipper is the difference in any commercial freight hauling between the value at the point of origin and the destination. Would that be your definition of that?

A. That may be the shipper's definition, but if it does not leave enough for us to make an earning on billing the goods, then we don't publish the rate.

Q. That only fixes the maximum amount that you can possibly get. I read from page 64 of this report of the Hon. Frank Oliver.

"The difference in value of any commodity at two separated points is the reason for its movement from one point to the other. If the cost of moving is greater than the difference in value, the



commodity cannot and does not move." That is what we understand is that item of value to the shipper? If it is a commercial article it cannot be greater than the value of from where it started and where it rested.

BY THE CHAIRMAN - Do you agree with what he is reading?

MR. JEFFERSON - I am willing to admit that for the sake of argument.

EXM. BY MR. GOUGE (continued)

Q. There might be some small items which would not be commercial, which could be shipped for sentimental reasons, but that would be the limit in commercial movement?

A. You must bear in mind that it takes three to make a bargain, the shipper, the consignee and the carrier.

Q. I am saying if that figure is below what it could be done for, then that element would preclude any rate, but if it could be done that is one of the elements to be considered if the rate can be made at all?

A. I see.

Q. Now we have in Canada no element of rate making such as they have in the United States, where the Interstate Commerce Commission is authorized by the Railway Act of that country to set rates with the idea of public service?

A. To do what?

Q. To make a rate based upon possible benefit to the public need.

A. I don't know of any such regulation in this country.

Q. I think you are right, there is none. However, in the United States there is such a regulation. If you should make a rate Mr. Jefferson, by negotiation that was based largely upon the public need of the country, the national necessity, and it was very troublesome, don't you think the Railway Commission or the Board of Transportation would take into consideration the public need in determining whether it should be approved?

A. I don't think anybody should make a rate with a carrier that can't take a new dollar for an old one.

Q. I have a couple of cases in Canada -



Brandon et al vs Warden - 43 C.R.C. 188

Victoria et al vs Keremous - 43 C.R.C. 236

Both cases where the Railway attempted to discontinue service and complaint was made to the Railway Commission, and in both cases the Railway Commission refused to approve the abandonment and they did it on grounds in both cases that it was against public policy and the need of the community.

A. I believe they have that power. Mr. Spence can answer that better than I can. They don't make freight rates that way.

Q. They don't make freight rates very much. The approve freight rates when they are attacked by some other person. You make the freight rate, and then the Railway Commission will review it on complaint. What I want to ask is if there was such a rate made and it was attacked, would the Railway Commission exercise the same authority as they did in the case of abandonment of the traffic and say in the need of the country the rate should be continued?

A. In my experience I would say they would not.

Q. Now this per ton mile business. I think we have in this record two illustrations that illustrate the truth of the dictum which we have quoted from the I.C.C. on several occasions, more thoroughly and completely than any two cases I have ever known. One of them is the case quoted in the I.C.C. 243, page 646; the other is this rate we have been discussing, a wholesale rate from Winnipeg to Saskatoon. Would you care to have one of your men who is quick at figures, make some calculations for me. I would like to know in this rate from Winnipeg to Saskatoon, 77¢, \$15.40 per ton, what the mill rate is?

A. Divide it by 470 miles, that would be  $3\frac{1}{4}$ ¢, not mills, but cents.

Q. I make it 3.47¢.

BY COMMISSIONER McLURIN - That would be  $32\frac{1}{2}$  mills?

BY MR. JEFFERSON - Yes.



BY MR. GOUGE:  $32\frac{1}{2}$  mills, that is a pretty high rate, isn't it, on a mill rate basis?

A Well, of course you should classify it first.

Q I am just making a comparison. That would be a high mill rate?

A There are rates higher than that. Now bear in mind that that rate from Winnipeg to Saskatoon is a fourth class rate. There are three classes higher than that, which would be a higher ton mile than that rate.

Q I am only getting at that for purposes of comparison, whether a mill rate is a safe criterion to determine whether traffic can move on a mill rate or a revenue mile rate, train mile rate.  $32\frac{1}{4}$ , you said?

A  $32\frac{1}{2}$ .

Q Now then, there is an illustration which is quoted here, a rate of \$8 per net ton on concentrated bauxite in box cars only, minimum weight not less than 80,000 lbs., subject to aggregate minimum 1800 tons, over a four line route from Mobile, Ala., to Vancouver, Wash., 3,463  $\frac{3}{10}$  miles. Now could one of your boys give me the mill rate on that?

A About 2.3 mills per ton mile.

Q Would you figure the total revenue of that train, 1800 tons at \$8?

A \$14,400.

Q Now the mileage is 3,463  $\frac{3}{10}$ . What is the train mile revenue?

A About \$3.15 per train mile.

Q 14,400 divided by 3,463?

A \$4.15.

Q \$4.19 I make it.

A What has that to do with the rate from Winnipeg to Saskatoon?

Q It has this to do. I am comparing the mill rates here to substantiate the statement made by the I.C.C. that mill rates



are fallacious in many cases to determine the sufficiency of the rate. Here is a mill rate of 2.3 mills yielding a trainload revenue per mile of \$4.19. Your mill rate of  $32\frac{1}{2}$  yields a trainload revenue of \$4.42 per mile. If that 1800 ton train had 200 more tons on it the revenue per train mile would exceed your revenue?

A You put 1800 tons on the hardware train.

Q That is not the point. I am trying to show what the I.C.C. mean when they say that comparisons of train mile earnings are much more reliable and better criteria of a fair rate than per ton mile rates. If we adopted that  $32\frac{1}{2}$  mill rate what would our ton of coal cost to Ontario?

BY COMMISSIONER McLAURIN: I think we can answer that by saying "Plenty".

BY MR. GOUGE: \$65 is what it would be exactly.

A I don't follow that.

Q The  $32\frac{1}{2}$  mill rate which you have set up for this hardware shipment if applied to coal to Ontario would cost \$65.

A But I don't understand the relevancy of one to the other.

Q The relevancy is simply that we are trying to get away from the calculations based entirely on mill rates and determine the sufficiency of a rate based on train mile earnings.

A As I said this afternoon, it is only one of the factors. You can take ton mile earnings, car mile earnings, train mile earnings.

Q You couldn't take ton mile earnings and make this thing come out. In one case you would have \$65.

A I know, but you wouldn't make a rate from Drumheller to Toronto on ton mile earnings from Winnipeg to Saskatoon.

Q Certainly not, but in the calculations we always run back to the question of the ton mile rate. That has very little to do with it if the train is loaded to capacity.

A The only difference between you and me is that the hardware train is not loaded to capacity.



- Q I know, but it is loaded to the capacity you advertise to take?
- A Oh no, we don't advertise.
- Q 10,000 pounds is what you advertised?
- A That is not the only car in the train, and you don't put 27 like it in the train either.
- Q It might be if there were that many shippers. Mr. Jefferson, you and I don't disagree on that point. I am not saying what you do, but what you offer to do.
- A Of course I can't agree we offer to do it either.
- Q Well, you publish that rate?
- A For that one car, and from actual experience in two years it has averaged 21,000 lbs. per car, and a lot of other freight on the train.
- Q That illustration however is an illustration of two separate movements to emphasize the correctness of the dictum of the I.C.C. that per ton mile rates are often fallacious and that the right and proper method of determining the sufficiency of a rate is what the revenue will be by train mile instead of by ton mile.
- A You may make more money on it than the rate would indicate.
- Q Now about this \$8 rate to Winnipeg.
- A On what?
- Q I mean to Ontario on coal. You think that rate is below the ordinary rate based upon what is known as the rate structure? Would you say, Mr. Jefferson, that the rates that you made to Fort William and Churchill are based on the rate structure?
- A On coal?
- Q Yes.
- A I would say off-hand they were.
- Q There is no competitive compulsion about either one of those rates?
- A No.



Q Now let's assume this rate to Churchill, which is 31 cents, \$6.10--you have stated that rates gradually decrease as they advance in mileage, the longer the mileage the lower the rate?

A Yes, they taper off.

Q That is a kind of a geometrical progression, they call it? Now we can make a rough calculation on this, I think. The rate to Saskatoon is \$2.80 for 315 miles, and the mileage from Saskatoon to Churchill is 937.8?

A Using C.N.R. miles now?

Q Yes, this is on a C.N.R. train. You haven't been going to Churchill, have you?

A No.

Q I am using this merely as an illustration of what the rate ought to be on a rate structure calculation. From Saskatoon to Churchill is 937.8 miles?

A I don't know.

Q It is 1252.8 miles from Drumheller to Churchill, and 315 miles from Drumheller to Saskatoon. At \$3.30 for 937.8 miles, that is an average of  $3\frac{1}{2}$  mills for that 937.8 miles?

A What is?

Q The 937.8 miles at \$3.30 would figure out.

A Where do you get that?

Q The difference between \$2.80 and six-tenths for the additional mileage from Saskatoon to Churchill, assuming that those rates are based upon the rate structure.

A They wouldn't be. I mean, that may be the figures, but the rate for coal from Drumheller to Churchill would not be based on a rate to Saskatoon plus a rate from Saskatoon to Churchill.

Q No,, but the rate to Churchill is right straight through. I am simply taking the difference between the two to indicate what additional cost would be on this coal, assuming that the rate was made under the rate structure. Wouldn't



it be proper to add on what is added to the rate for the additional mileage?

A I may say that the rate on coal from Drumheller to Churchill is on an entirely different basis than the rate on coal from Drumheller to Saskatoon.

Q They are all made under the rate structure, aren't they? The shorter haul takes a higher rate?

A I grant that. I don't profess to know how the rate on coal from Drumheller to Churchill is made, but I don't believe they apply the prairie coal basis from Drumheller to Churchill as they do from Drumheller to Saskatoon.

Q If we assume that that 937 extra miles earned \$3.30, that is based on  $3\frac{1}{2}$  mills, now theoretically that should be further reduced as we proceed further, but there is no further rate to make a comparison with. Suppose if we use the balance of 747 miles to Toronto to make up to 2,000 and figure it at the  $3\frac{1}{2}$  mills which was the additional cost of the 900 miles, it would be \$2.61.

A Well, in the first place, Mr. Gouge, you have no right to figure that the rate on coal from Saskatoon to Churchill is the difference between the rate on coal between Drumheller to Saskatoon compared with the rate from Drumheller to Churchill.

Q Probably not, but I am just assuming.

A Rates are not made that way.

Q If they are based on a rate structure gradually decreasing from the point of origin?

A On the through distance, always on the through distance.

We don't make a rate from Drumheller to Winnipeg by taking the rate from Drumheller to Regina and adding to it the difference between the Drumheller to Regina and the Drumheller to Winnipeg rate.

Q I know you wouldn't, but I am trying to illustrate something here. I think that this calculation is all in your



favour. If you made a rate on the basis you mention, figured out in this way, it comes out to 70 cents of \$8. Merely a rough way of figuring that the \$8 rate comparable with the Church and Fort William rate is just about exactly right.

- A Do you say that \$8 from Drumheller to Toronto was a fair rate, compared with \$6.50 to Fort William, or a difference of \$1.50 a ton for an extra haul of 554 miles from Fort William to Sudbury, plus 260 miles from Sudbury to Toronto?
- Q I am assuming the rate-making method which you describe as a gradual reduction in rate from the point of origin to the destination. I have not the figures to follow it up absolutely definitely correct.
- A My answer to that, Mr. Gouge, would be, that that reduction-- I don't know what to call it, a marked reduction. . . .
- Q And if that marked reduction was pursued from, take any point in the West and follow it through, it would come out mighty close to \$8 when you got to 2,000 miles.
- A No, you don't haul an extra 800 miles for \$1.50 a ton, not in a fair rate.
- Q 742 miles I have it figured here.
- A I mean from Fort William to Toronto; 554 miles to Sudbury, plus 260 to Toronto. 814 miles further to Toronto than it is to Fort William, yet you say \$8 is a fair rate to Toronto in comparison with \$6.50 to Fort William. I say it is not.
- Q Have you any formula, Mr. Jefferson, by which you have made a calculation of those rates? I know that they all follow about the same percentage of reduction as the distance increases. Is there a formula by which you made those calculations?
- A No, I wouldn't say there was.
- Q There must be some method of figuring them out, because I noticed that they all follow about the same geometrical



progression of reduction as you go further in mileage. In this the Drumheller to Fort William rate quoted is 5.3 mills. The added mileage from Winnipeg to Fort William is 438.6. For that added mileage the railway gets 3.8 mills. If we should add that 3.8 mills on it would make a little bit more than \$8, but 3.8 mills should be subject to some reduction, as you suggest is usual.

4.40 P.M. - COMMISSION ADJOURNED UNTIL MONDAY,  
OCTOBER 22nd, at 10.00 A.M.



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Canada, Coal  
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ROYAL COMMISSION ON COAL

OTTAWA, Ont.

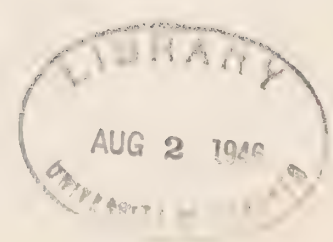
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ROYAL COMMISSION ON COAL

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ROYAL COMMISSION ON COAL

Ottawa, Ont.,  
October 22nd, 1945.

The Royal Commission on Coal convened in the Courtroom of the Board of Transport Commissioners, Ottawa,, Ont., on Monday, October 22nd, 1945, at 10.00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman

Hon. Mr. Justice C. C. McLaurin, Commissioner

Angus J. Morrison, Esq., Commissioner

J. J. Frawley, K.C., Commission Counsel

Robert D. Howland, Secretary.

BY MR. FRAWLEY: This morning we have the brief of the Illinois Coal Traffic Bureau, and a Chicago solicitor, Mr. Charles W. Stadell, is here to present the brief.

Exhibit 256 - Brief submitted on behalf of the Illinois Coal Traffic Bureau, an Association of the Coal Producing Companies in the Southern Illinois District in the State of Illinois, United States of America.

MR. STADELL: If the Commission please, my name is Charles W. Stadell and my office address is 307 North Michigan Avenue, Chicago 1, Illinois. (Proceeds to read Exhibit 256):

The Illinois Coal Traffic Bureau, which is a voluntary association of the coal producing companies which own and operate bituminous coal mines in the Southern Illinois district in the state of Illinois, having been informed that your Honorable Commission is conducting a comprehensive investigation with respect to the problems which now, or may in the future confront the Dominion of Canada, in the procurement either through domestic production or importation, of adequate supplies of coal adapted to the many and varied purposes for which coal is used



in the Dominion, desire to present, objectively and as succinctly as possible, for your consideration, all pertinent facts with respect to the ready availability and quality of the coals produced in such district, the productive capacity of the mines and the efficient and adequate transportation facilities which are utilized in the movement of coal from such district to destinations in the United States and Canada.

Despite the unusual demands made upon them during the present war emergency, the Southern Illinois producers were able and glad during such emergency to supply substantial quantities of coal for use in the Dominion, which were shipped by rail to Chicago and by boat from Chicago to various ports in Canada. We therefore feel that we have a direct and substantial interest in the matters under investigation by your Honorable Commission, and wish to express our appreciation for the opportunity which you have accorded us to file this brief and appear before you for the purpose of presenting any facts with respect to this matter which you may desire.

MR. STADELL: I may say that I also have with me today Mr. Harold Burnham, who is an executive of the Chicago, Wilmington and Franklin Coal Company, one of the largest producers in the Southern Illinois field, and either he or I, or both of us will be glad to answer any questions which the Commission may wish to ask. (Continues brief):

There are 53 rail served shipping mines in the Southern Illinois district and 157 in the state of Illinois. Illinois is the third largest coal producing state in the United States. For convenience, we have attached as Appendix "A" to this brief a statement showing the number of tons of coal produced in the United States, in the State of Illinois, and in the Southern Illinois district during the years 1933 to 1944, both inclusive. The Southern Illinois district is the large producing district in the state of Illinois. From Appendix "A" it will be noted that the state of Illinois, in 1944, produced 12½ percent of



all of the coal produced in the United States and that the Southern Illinois district produced 36 percent of the entire production of Illinois. The production in the Southern Illinois district increased from 11,321,671 tons in 1933 to 27,864,829 tons in 1944, an increase of 16,543,158 tons or 146.1 percent. Contrasted with this the production in the state of Illinois increased during the same period 102 percent, and in the United States as a whole, but 85.8 percent. Using 1939, which was the last year unaffected by the war, it will be noted from Appendix "A" that the production increased, 1944 versus 1939, 86.2 percent in the Southern Illinois district; 62.5 percent in Illinois as a whole; and 57.1 percent in the United States as a whole. These figures clearly demonstrate the productive capacity of these large mines in the Southern Illinois district, and their ability to so gear operations as to meet any emergency.

The vast expansion of production in the Southern Illinois district during the period shown on Appendix "A" hereof was accomplished with but few exceptions by existing mines, financed wholly by private capital, without government aid or subsidies of any kind. Because of vast undeveloped reserves in the Southern Illinois district, there is no geological or other limitation of further substantial increases in production. Geologists of the Department of Mines and Minerals of the state of Illinois estimate that the coal reserves in Illinois approximate 200 billion tons which, at the present rate of production, is equivalent to about 1400 years.

The vast increase in production in the southern Illinois district during the war years, portrayed by Appendix "A", was accomplished despite a steadily decreasing labor supply resulting from the war emergency. It was made possible because virtually all of the mines in such district are highly mechanized. Ninety-five percent of the coal produced by these companies is machine mined, which has resulted in substantial reductions in the cost of production.



The mines in the Southern Illinois district, in 1944, employed 10,967 miners. Their average annual output was approximately 2540 tons per man. The coal seams in the Southern Illinois district are generally recognized by the trade and the consuming public to contain a very satisfactory and superior quality of high volatile bituminous coal which can be and is used for the widest variety of purposes. This is demonstrated by the following table which shows, on a percentage basis, a list of some of the major uses for which such coal was sold and used in 1944:

TYPE OF USE

Industrial	42.102%
Railroad	20.195%
Domestic	38.703%

Included in the designation of industrial is every variety of industrial plant, including public utilities, which use substantial quantities of Southern Illinois coal. Considerable quantities of this coal are used for making producer gas and water gas. In recent years it has been successfully used in making metallurgical and domestic coke in by-product ovens.

The Southern Illinois coals are very uniform in the characteristics that affect the value of the coals in consumer service, often referred to by the general term "quality" of the coal. For coals of comparable sizes, the variation in average quality from mine to mine is so uniform that it is no greater than the variation shown by a typical series of analyses of samples of a given size of coal from one mine.

It is a well known fact that the Southern Illinois mines have led the coal industry in the preparation of their coal. The flat terrain of the prairies where these mines are located give them great advantage over the eastern fields where the mines are located in mountainous territory which often limits space available for preparation plants and railroad track facilities necessary for loading a large number of sizes. All of the mines in the Southern Illinois field have ample



space for additional preparation plants and storage tracks for all of the sizes produced.

There are ten standard sizes prepared as follows:

6"	Lump
6"x3"	Furnace Lump
3"x2"	Small Egg
2"x1-1/2"	Stove
1-1/2"x1"	Chestnut
1"x3/8"	Pea Coal
2"x0"	Screenings
1-1/2"x0"	Screenings
1"x0"	Screenings

Lump, furnace, and small egg are produced over screens in the main tippie while everything under two inches in size is conveyed by belt to an elaborate preparation plant known as the rescreener. In the rescreener all sizes are separated, screened, and reassembled into sizes produced for various kinds of application and burning equipment. Other than the ten standard sizes produced there are an additional twenty special sizes made up of coal under two inches in size. These sizes are the stoker coals that are practically tailor made to meet the demand of both the industrial and the domestic stoker user.

The Southern Illinois mines have Wet Washing Plants, Dry Cleaning Plants (Air Process), and dedusting plants. All three methods have their place in the industry.

In the large mines of the Southern Illinois field many operators have invested more than a million dollars in Cleaning Plants in order to produce a product low in ash and free of all impurities. These Cleaning Plants are capable of cleaning all sizes from six inches down to dust and in several cases have a capacity of more than one thousand tons of coal per hour.

Because of these cleaning and preparation plants, the buyer is assured of receiving coal which is uniform in size and quality at all times. This is very important in the production of stoker coals where size consist means so much. By separating the coal into several sizes in the rescreening plants and then reassembling them in measured proportions size consist is controlled for each car load.



Preparation, sizing, and the control of size consist is being done in the Southern Illinois field today to an extent far surpassing preparation methods used in any other part of the United States.

The Southern Illinois producers maintain testing laboratories at their mines which take samples at different times each day as the coal is loaded into railroad cars, which are analyzed for the purpose of assuring a product uniform in quality. Such producers also have a staff of experienced engineers whose duties are to consult with consumers of such coal for the purpose of making certain that the coal furnished will be used with greatest efficiency in the burning equipment of such consumers. The service of these engineers is furnished free of charge.

The firm structure of Southern Illinois coals enables it to withstand rough handling in transportation by rail and by lake. The lump, nut, and double screened sizes can thus be, and are transported to destination with a minimum of degradation.

The storage qualities of such coal are amply demonstrated by the fact that several hundred thousand tons of it have been stored on the dock of the Canadian Pacific Railroad at Fort William since 1943 and 1944. The present condition of the coal in such storage piles clearly proves that it can be thus stored indefinitely without material degradation or fear of spontaneous combustion.

Because of their low ash, low sulphur, high B.t.u. content, and satisfactory fusion temperature, Southern Illinois coals have proven highly satisfactory and economical to use in all types of burning equipment, whether hand fired or mechanically fired.

According to our understanding, information already before this Commission indicates that the provinces of Quebec and Ontario contain approximately 62 percent of Canada's population and account for from 70 to 75 percent of the industrial



coal and coke consumed in the Dominion. The close proximity of the Southern Illinois coal field to these two provinces, from a geographic standpoint, is shown by two maps which are attached hereto as Appendices "B" and "C". On the map, Appendix "B", we have outlined the Southern Illinois and other coal producing districts in the state of Illinois, in Indiana and Western Kentucky.

MR. STADELL: Those groups in the three states are often referred to collectively as the Mid-Western coal field. I might say at this point, on this map Appendix "B" there are certain black dots up in the top part of Illinois which have no meaning in this case. This map was used in a case before the Interstate Commerce Commission, and we didn't have time to have another one printed, particularly in view of the fact that we had a printers' strike in Chicago. That is also the reason we didn't have the brief printed; we had to have it mimeographed. (Continues brief):

For purposes of identification, the Southern Illinois group is colored red on this map, the other groups in Illinois blue, those in Indiana green, and the Western Kentucky field in purple. Each of these groups is also identified by a number which is explained in the legend in the lower left hand corner of the map.

The close proximity of the Southern Illinois and other mid-western coal districts shown on this map to the port of Chicago, to which coal is transported by rail for movement by boat beyond to ports in Canada, should be especially noted.

The map, Appendix "C", shows all of the Great Lakes ports and receiving docks in the United States and Canada, including the port of Chicago.

Attached hereto as Appendix "D" is a statement which shows the average distances from each of the coal producing districts in Illinois, Indiana, and Western Kentucky to the port of Chicago, the railroad rate which is applicable from



each of such districts for coal used at Chicago, and the lake cargo rail rate which is applicable on shipments of coal moving to that port for movement beyond by boat to ports on the Great Lakes in the United States and Canada. It will be observed from this statement that the average distance from all mines in the Southern Illinois district to Chicago is 319 miles, and that the rate applicable on lake cargo coal moving to that port for transshipment by boat beyond to ports in the United States and Canada is \$1.65 per ton or 40 cents per ton less than the rate of \$2.05 per ton applicable on coal moving for consumption locally in the Chicago district.

The following table shows the average mileage from all mines in the Southern Illinois district to the Canadian ports of Fort William, Jack Fish, Little Current, and Britt, and the total transportation charges from the Southern Illinois district via rail and lake to such ports:

DISTANCES AND TRANSPORTATION  
CHARGES FROM SOUTHERN ILLINOIS  
GROUP TO CANADIAN PORTS SHOWN  
VIA CHICAGO

<u>To</u>	<u>Distance</u>	<u>Transportation Charges</u>
Fort William	1005	\$2.30
Jack Fish	952	2.30
Little Current	786	2.50
Britt	854	2.50

MR. STADELL: These charges shown in this table are made up of the rail lake cargo rate to Chicago, a transfer charge - transferring coal from cars to boats - and the boat rate from Chicago to the Canadian ports shown.

BY COMMISSIONER McLAURIN: Where is Little Current?  
On Lake Erie?

MR. STADELL: It is over on Georgian Bay.

BY COMMISSIONER MORRISON: Is the exchange taken into account here?

MR. STADELL: No; these are just the transportation charges in American money. I will not read the figures shown



in this table, but I would just like to call the Commission's attention to this fact, that the rate from the Southern Illinois district to Chicago on coal used in Chicago is \$2.05 per ton, as shown in the table marked Appendix "D". The total transportation charges from that district are therefore but 25 cents more per ton than the Chicago consumer would pay for coal from the same district. To Milwaukee the rail rate from the Southern Illinois district is \$2.68, so that the transportation charges from that district to Fort William and Jack Fish are 38 cents per ton less than to Milwaukee, so from a transportation standpoint you might say that Fort William was moved down south somewhere between Milwaukee and Chicago. (Continues brief):

The Canadian ports contained in the foregoing tabulation are used because they are the principal ones to which the Southern Illinois district has been shipping coal via rail and lake.

It is obvious that availability of adequate quantities of high grade bituminous coal, when needed for the central Canadian provinces, is at times greatly dependent upon weather conditions. From the standpoint of availability, production, productive capacity, and transportation facilities must be considered. Because of their favorable geographical location southward, the flat terrain of the territory between the Southern Illinois mines and Chicago, and the ideal transportation conditions which exist on the large trunk line railroads serving such coal district and Chicago, such mines rarely suffer any interruption in the production and shipment of their coal because of adverse weather conditions. The Southern Illinois mines are served directly by six large trunk line railroads, namely, the New York Central, Chicago, Burlington & Quincy, Illinois Central, Missouri Pacific, Louisville & Nashville, and Chicago & Western Illinois Railroads. The majority of such mines are served by two or more of such railroads, and some are served by four.



MR. STADELL: I would like to interject just there, the importance of the mines being served by more than one railroad is evident when it comes to a question of car supply. If one railroad happens to be short of a particular type of car, other railroads serving the mines can generally furnish the type of car required. (Continues brief):

These carriers are among the largest and most reliable in the United States. They maintain the highest efficiency of service and have such an adequate supply of cars and locomotives, that even during the war emergency substantially no transportation difficulties were encountered by the Southern Illinois mines. Cars of coal are concentrated by these railroads in the Southern Illinois coal field into trainloads, and such trains are moved to Chicago within 36 to 48 hours. Therefore, within 36 to 48 hours after it leaves the mine, such coal is available at Chicago for loading into boats for movement beyond to ports on the Great Lakes in the United States and Canada.

This lake cargo coal moves during the spring and summer months for storage at such ports in the United States and Canada, where it is readily available for immediate use during the winter. The facility for transferring such coal from railroad cars to boats is located in the southern portion of the Chicago district on the Belt Railway Company of Chicago, which has direct connections with all trunk line railroads entering that city. This facility transfers coal from railroad cars to boats at the rate of 1000 tons per hour or more, and loads two 10,000 ton boats in each 24 hour period. The Belt Railway Company and the trunk line railroads which transport such lake cargo coal from the Southern Illinois coal field have yards in close proximity to such facility, which have storage capacity sufficient to hold several thousand cars.

Chicago is the centre of one of the largest steel producing districts in the United States. The steel plants in



such district receive millions of tons of iron ore and other materials, used in the manufacture of iron and steel, by boat from Duluth, Superior, and other ports on the Great Lakes. As shown by the reports of the United States Army Engineers, 22,158,105 tons of iron ore were thus received by boat in the Chicago district in 1944. In addition, approximately 110,000 tons of newsprint paper were received by boat during that year. The boats which transport this iron ore and other products to Chicago are available for the movement of coal back to ports on the Great Lakes in Canada. A large fleet of coal carrying boats is thus assured. During the six months of April to September, inclusive, 1944, 308 of these boats returned from Chicago to the ports of Superior, Wisconsin, and Duluth, Minnesota without a load, and 284 returned without a load during the same period in 1945. These facts demonstrate the adequacy of the boat facilities available for transporting coal from Chicago to ports in Canada. The Canadian ports of Fort William and Port Arthur, and Two Harbors, Minnesota, are located on Lake Superior but a short distance from Duluth and Superior and on the route from Chicago to such latter two ports. For example, a boat travelling from Chicago to Fort William to unload coal would have to travel an additional distance of but approximately 70 miles to reach Duluth for a return load of iron ore, as compared with the distance which it would travel in reaching Duluth without stopping at Fort William.

Prior to April 12, 1941, there were no rail lake cargo rates in effect from the Southern Illinois and other coal producing districts in Illinois, Indiana, and Western Kentucky to Chicago. Nor was there a facility available at Chicago for transferring substantial quantities of coal from railroad cars to boats. Therefore, up to that time there was no movement of lake cargo coal from the mines in such districts via Chicago to other ports on the Great Lakes in the United States and Canada. The coal producers in the Southern Illinois district



and the railroads serving their mines, realizing that there was a large market for the superior quality coals produced in such district at ports on such lakes in the United States and Canada, and that there was readily available adequate and efficient boat transportation from Chicago to such other ports, provided a proper lake cargo rate was established, arranged for the establishment of the rail lake cargo rates which are shown on the statement attached hereto as Appendix "D", and such rates which, as indicated, represent reductions of as much as 40 cents per ton as compared with the local rate to Chicago, were made effective April 12, 1941.

Shortly thereafter, the facility for transferring coal from railroad cars to boats, previously referred to, was built and put in operation. As a result, the Southern Illinois producers made their first shipments of lake cargo coal via Chicago to ports in Canada in 1942, the tonnage that year being 86,000 tons. In 1943, this tonnage had increased to 542,444 tons, and in 1944, it further increased to 644,549 tons.

MR. STADELL: In 1942 the total from the Mid-Western field via Chicago to Canadian ports was 137,000 tons.

BY MR. FRAWLEY: How does that compare--in Appendix "B" you show the part in red as your immediate clients, the Southern Illinois field?

MR. STADELL: That is correct.

Q Where is this field you are now speaking of?

A I am speaking of the total tonnage from all of those groups shown on the map, and I might say the total tonnage I have just given you moved from three districts - the Southern Illinois district, identified in red and also by the numeral 8; the Belleville district, identified by the numeral 6 and colored blue, and the Western Kentucky district, colored purple and identified by the numeral 15. The total tonnage in 1942 was 137,000 tons; in 1943 it was 1,055,515 tons, and in 1944 it was 1,626,500 tons.



BY COMMISSIONER McLURIN: That is from the whole - what do you call it?

A Mid-western field.

Q Would some of that go all rail?

A No, this is just rail to Chicago and boat from there; it does not include any all rail. I may say at this point there are substantial quantities moving by rail, and Mr. Reasch, who is appearing here for the mid-western railroads, will give you those figures. I understand the tonnage by rail is approximately an additional 1,500,000 to 1,750,000 tons per year.

Q Those are total mid-western figures which are furthered by boat from Chicago?

A That's right. (Continues brief):

The substantial rate reduction which was made by the railroads, the adequacy of the boat transportation facilities from that port, the productive capacity of the Southern Illinois mines, and the superior quality of the coals produced by them, all contributed to their ability to ship substantial tonnages of coal during the short period referred to, to consumers in Canada, when, because of the war emergency, such consumers were unable to obtain their necessary requirements from other sources.

For all of the reasons which have been stated, we respectfully request that in arriving at the recommendations which it will ultimately make as a result of the investigation which it is now conducting, that this Honorable Commission give due consideration to the facts which we have presented, which we respectfully submit show that the Southern Illinois mines are an ideal source of supply for coal consumers located in the provinces of Quebec and Ontario, because of their close proximity to such provinces from a geographic standpoint, their productive capacity, the superior quality of their coals which are prepared and processed to meet the requirements of any of



such consumers, the low transportation charges, and efficient and adequate transportation facilities which are available for the movement of coal from such mines to such consumers.

APPENDIX "A"

STATEMENT SHOWING THE NUMBER OF TONS  
(2000 POUNDS EACH) OF BITUMINOUS COAL  
PRODUCED IN THE UNITED STATES, IN THE  
STATE OF ILLINOIS, AND IN THE SOUTHERN  
ILLINOIS GROUP DURING THE YEARS 1933  
TO 1944 INCLUSIVE

Year	Number of tons of bituminous coal produced in the United States	Number of tons of bituminous coal produced in the state of Illinois and percent of total United States production		Number of tons of bituminous coal pro- duced in the Southern Illinois group and percent of total Illi- nois production	
		Tons	%	Tons	%
1933	333,630,533	38,320,125	11.5	11,321,671	29.5
1934	359,368,022	41,724,078	11.6	12,684,829	30.4
1935	372,373,122	45,013,278	12.1	14,279,764	31.7
1936	439,087,903	51,475,899	11.8	16,221,134	31.5
1937	445,531,449	52,432,255	11.8	16,502,654	31.5
1938	348,544,764	42,387,368	12.2	13,258,163	31.3
1939	394,855,325	47,627,454	12.1	14,966,100	31.4
1940	460,771,500	51,871,704	11.3	16,170,860	31.2
1941	514,149,245	55,365,835	10.8	17,681,427	31.9
1942	582,692,937	65,746,204	11.3	22,380,947	34.0
1943	590,177,069	73,344,761	12.4	25,799,244	35.2
1944	620,000,000#	77,400,031	12.5	27,864,829	36.0

# - Preliminary

Authority:

United States Department of the Interior, Bureau  
of Mines  
Annual Reports, State of Illinois, Department of  
Mines and Minerals



APPENDIX "D"

STATEMENT SHOWING THE DISTANCE, THE LOCAL OR TRUCK DELIVERY RATE, AND THE LAKE CARGO RATE ON BITUMINOUS COAL FROM ALL COAL ORIGIN GROUPS IN ILLINOIS, INDIANA, AND WESTERN KENTUCKY TO CHICAGO, ILLINOIS. (THE RATES SHOWN ARE IN CENTS PER TON OF 2000 POUNDS)

From	Distance (Miles)	Local" Rate	Lake# Cargo Rate	Amount Lake Cargo Rate is Lower Than Local Rate
Northern Illinois Group	60	120	120	0
Fulton-Peoria Illinois Group	184	165	135	30
Danville Illinois Group	136	145	120	25
Central Illinois Group	224	175	142	33
Centralia Illinois Group	251	175	142	33
Duquoin Illinois Group	289	195	157	38
Belleville Illinois Group	295	195	157	38
Southern Illinois Group	319	205	165	40
Brazil-Clinton Indiana Group	190	165	135	30
Linton-Sullivan Indiana Group	219	175	142	33
Princeton-Wysshire Ind. Group	279	187	151	36
Western Kentucky Group	395	230	190	40

" - These rates are applicable on shipments of coal which terminate at or are consumed in the Chicago district

# - These rates are applicable on shipments moving to Chicago for movement beyond by boat to other ports on the Great Lakes

MR. CHARLES W. STADELL AND MR. HAROLD BURNHAM Sworn by  
Chairman as to facts, information and opinions to be founded  
on a reasonable basis.

EXAMINED By Mr. Frawley.

Q Now, Mr. Stadell, I want to be quite clear. Look at the map  
Appendix "B". You call the Southern Illinois field the red  
one marked "8"?

MR. STADELL: That is correct.

Q And you call the purple one the Western Kentucky?

A That's right.

Q Then the two blues marked "6" is what?

A Belleville.

Q And the one marked "4"?

A Springfield, Illinois.



Q And then the "2" and "3" also marked blue?

A Those are usually considered together and known as the Fulton-Peoria group.

Q You are not appearing for 2 and 3?

A We are not appearing for any except the Southern Illinois district, which is marked in red.

Q And the other districts you have mentioned, 6 and 15, make up the mid-western field?

A Well, all the groups shown on the map make up the mid-western field.

Q But these figures you have given us, which show that it jumped between 1942 and 1944, that tonnage came out of the districts designated 6, 8 and 15?

A That is correct.

BY COMMISSIONER MORRISON: That is Franklin County?

A The Southern Illinois district is made up of three counties, Franklin, Wilson and Salina, and now they have some mines in Jefferson County, immediately north of Franklin.

BY MR. FRAWLEY: You seem to have received a considerable transportation benefit by what you call a "substantial rate reduction". How was that brought about? What was behind it?

A Briefly, as I said, prior to 1941 the railroads had made no proportional or export rate to Chicago. They have from the eastern fields, and have had for a considerable time, rates applicable on this lake cargo coal which are below the rates applicable to those cities for domestic or local use there. The Southern Illinois producers and some of the other producers in the other districts got together with the railroads and upon investigation decided they could develop a substantial market for their coal at the ports on the Great Lakes in the United States and probably in Canada, if a similar lake cargo rate was put in from the mid-western groups to Chicago, and as a result of those conferences and consultations these rates show on the statement attached as Appendix



"D" were made effective on April 12, 1941.

Q Then it was to put you, roughly speaking, on a comparable basis with the coal moving from District 8 up to Sandusky and other Lake Erie ports?

A That's right.

Q And the reason you had not had it before was that they are new operations, are they, there?

A No. Frankly speaking, since 1923 and 1924 - before that, but beginning particularly at that time - the mines in the mid-western district in Illinois and Iowa were very highly unionized, working under contracts with the United Mine Workers, and the wage rates were on a quite high basis and working conditions were established. They had to observe those wage rates, which obviously affected the cost of production. The mines in the eastern district were not unionized up until 1933 when the National Recovery Administration came in. I think it is safe to say that all the mines over there are now unionized and their wage rates have been stabilized on a level somewhat comparable to the level of the wage rates that have been paid for a long time in Illinois. Because of that stabilization of wage rates the Illinois mines are now able to compete on a somewhat comparable basis in this lake cargo tonnage with these eastern mines.

Q They had the business, which you couldn't hope to get, moving to lake ports?

A That is correct, because they could make any price they chose to get the business.

Q You say you were unionized 10 or 15 years before they were in the eastern field?

A That's right.

Q And so you have this situation now, where you can move coal up to Superior and upper lake ports, and you have also moved some into Fort William and Port Arthur?

A That is correct.



- Q When you speak of Ontario and Quebec what do you have in mind? You would want to take advantage of the rail lake rate. Would you move up from Chicago up Lake Michigan, past Manitoulin and down to St. Clair? How far would you take it by water? I am speaking now of what we call central Ontario, not the head of the lakes, not for distribution at Britt even, but I am thinking, just for discussion purposes, of some place like Toronto, say?
- A Well, I don't think we would ever hope to get into Toronto, because of course as our coal travels east our transportation charges would increase and the transportation charges from the eastern mines would probably be less because of their shorter distance.
- Q The only reason I mention that is somewhere in your brief you make mention of the fact that 70 to 75% of the industrial coal and coke consumed in Canada is consumed in the provinces of Ontario and Quebec. I am thinking of what we call the highly industrialized, sometimes called the acute fuel area, around Toronto, Hamilton, Kingston, in through there. You weren't thinking of that so much?
- A Not particularly, because as I say, you can see on the map as we go eastward our transportation costs will increase. The matter of being able to compete or not depends upon a particular type of plant using one coal or another, transportation charges and price and the quality of the coal.
- Q But at the moment it is having the business you enjoyed in 1944, 1943 and 1942?
- A Yes.
- Q Just in a word, can you tell us where that coal went? Perhaps later you can give us a more complete breakdown.
- A I think probably Mr. Burnham could answer that question better than I could.
- MR. BURNHAM: The principal port was Fort William, and then it went to Jack Fish, Little Current and Britt; principally used



for Canadian Pacific Railway locomotive fuel.

Q When you say "principally", could you give us the approximate percentage?

A All of it was used by the Canadian Pacific. There were probably only two or three cargoes that went for industrial use in some of your paper mills.

Q The coal that moved to Little Current, none went into the International Nickel plant at Copper Cliff?

A To my knowledge, no.

Q Or none that moved to Britt went there?

A No.

Q So the figures that Mr. Stadell has given us went to the Canadian Pacific Railway?

A That is correct.

Q Were they having trouble getting coal?

A That's right. They needed coal, and they needed additional coal, and we were able to furnish it for them.

Q You haven't gone so far as to canvass the consumers, or to canvass the situation to enable you to say what other industrial coal you might enjoy, other than Canadian Pacific Railway?

A As a matter of fact we have not been in a position to go after that kind of business, because we have not had the coal available to supply.

Q What do you think the situation will be starting in 1946?

A I think we will have available coal for industrial purposes throughout that entire territory, paper mills and various other plants where they use industrial coal.

Q You haven't made a study of what you can lay down coal, rail, lake and rail, for example to the International Nickel plant, which is perhaps one of the largest consumers in Canada?

A No sir, we have not.

MR. STADELL: Where is that plant?

BY MR. FRAWLEY: Copper Cliff, Ontario. It would move to Little



Current or to Britt, and then by rail.

BY THE CHAIRMAN: Was most of that railway coal used east or west of the ports of destination?

MR. BURNHAM:

A It moved both east and west of the Fort William dock.

BY MR. FRAWLEY: Of the Jack Fish dock?

A Yes. As I understand it they used that coal east towards Toronto off the Jack Fish dock and west towards Fort William.

Q It follows from what you say that you have no knowledge of what your peacetime competition would be. Are you familiar with the manner in which Canadian coal moves by government assistance into central Canada?

A We have some knowledge of that. We know that rates have been subsidized and so forth in that territory there.

Q You have answered me by saying that you have made no study of what your cost would be, even against a subsidized movement?

A That is correct. We have not had the coal available up to this period. Since we had that low rate we have had a war and we have not had an opportunity of going in there to study the possibility of our coal being used.

BY THE CHAIRMAN: When you are talking of competition of subsidized coal are you having reference to conditions before the war?

BY MR. FRAWLEY: I am thinking of peacetime entirely. I mean the coal that has moved under government subvention. Who owns that facility that you referred to? You called it a facility for transferring coal from railroad cars to boats?

MR. STADELL: That is owned by private capital. It is owned by Rail to Water Transfer Company.

Q And is it owned partly by the coal interests?

A No sir, the coal interests have no investment in it at all.

Q Do I understand it transfers all of the coal that moves into Chicago?

A That is correct. It is the only facility we have. Prior to that we were loading coal by crane and we were loading small boats.



- Q You make mention of that ore movement and you say there was a very large movement of iron ore from the upper lakes into Chicago in 1944. That of course was strictly a war movement? That was for war industry?
- A Oh no. The United States Steel Corporation have four or five plants there, Inland Steel and several smaller companies that even in normal times received very, very large quantities.
- Q What you would say is you would depend upon the very well known steel industry in the Chicago area as receivers of iron ore for a very important part of the movement of coal from Chicago to head of the lakes?
- A That is only one source of boat supply. There are a number of independent boat operators like the Sullivan company and several others that Mr. Burnham has had dealings with that have boats available for the transportation of this coal on the lakes.
- Q So you think that you are quite safe in making the statement that there will be many boats available for the movement of coal from Chicago to the head of the lakes, or to any Great Lakes ports?
- A I think so. There has been heretofore, even in normal times.
- Q Now does any of this coal move, speaking now of the rate of moving it, does it move in train lots from your operating areas into Chicago?
- A Yes, it does.
- Q And is the rate which you pay a solid trainload rate or a per ton rate?
- A It is just a per ton rate. It is not established on the trainload basis and it is not restricted. It is applicable on one car or a trainload. It is assembled down there and transported in trainloads as a matter of efficiency of operation. The railroads do that wholly in their own interests as a matter of efficiency.



- Q Has there been any movement on the part of the operators to seek from the railways a lower rate because of the solid train movement of coal?
- A No, there has not, but up to about three years ago the Interstate Commerce Commission has always frowned on the argument of train load rates lower than those applicable to single carloads and refused to approve of them, but about 1942, I think it was, the Frisco Railroad, St. Louis-San Francisco, published a train load rate from mines in Arkansas to St. Louis, Missouri, and the Interstate Commerce Commission was requested to suspend the operation of the rate, conduct a hearing with respect to its lawfulness and disapprove it, and they refused to do it.
- Q They held the hearing?
- A No, they held no hearing. They let the rate go in and the rate has been in effect ever since and coal has been moving on that rate, so there is a precedent established now for train load rates, and it is possible that the railways might be asked to establish one if additional tonnage could be secured.
- Q What was the word? Did you say there was a movement on foot?
- A There is no movement on foot, but I say we now have a precedent by the I.C.C. for the establishment of train load rates lower than the rates applicable to a single car.
- Q Are you able to tell us what reduction was brought about when the Frisco railway brought in the solid train rate?
- A I think it was about 90 cents a ton.
- Q Reduction?
- A As I recall. I might say the distance from those mines in Arkansas to St. Louis is about the same as from the Southern Illinois district to Chicago.
- BY COMMISSIONER MORRISON: And what are the Frisco rates?
- A Well, the rate is \$2 from the Arkansas mine, and the rate from Southern Illinois to Chicago is \$1.65, but there is a



considerable difference in transportation conditions. The Arkansas mines are located in the Ozark Mountains, and quite difficult operating conditions as compared with those over the flat terrain from Southern Illinois to Chicago.

BY MR. FRAWLEY:

Q Have you got an analysis, a laboratory analysis, of the coal?

BY MR. BURNHAM: I have here a copy, Mr. Frawley, of the analysis of our mine. I have no analyses of the field here, although as we say in that brief the analyses of the mines in the Southern Illinois field are quite comparable. If you would like me to I would be very glad to supplement this.

Q This is an analysis of what you call Orient coal, that is Chicago, Wilmington and Franklin?

A That is correct.

Q And is this the coal that moved to the C.P.R.?

A That is correct. Those are the sizes that moved to the Canadian Pacific, furnace and small egg. This analysis was filed in October 1941. (Tenders

Exhibit 257 - Analyses of Orient Coal (Chicago, Wilmington & Franklin Coal Co.),  
Southern Illinois, U.S.A.

MR. STADELL: You only have the one?

MR. BURNHAM: That's all I have.

BY MR. FRAWLEY: Would you send in about a dozen to us?

BY COMMISSIONER MORRISON: Perhaps it is not necessary to put this in. Get the rest and put them all in together.

BY MR. FRAWLEY: I am just suggesting it be filed for ready reference purposes, and when the rest come they can be put along with it. Are these shaft mines or strip mines, or some of both?

MR. STADELL: Those are all shaft mines that we are speaking of.

Q This tonnage that you told us of is all deep mine coal?

A From the Southern Illinois field, yes sir.

Q From what you call the mid-western field?

A That is different. There are some strips in there.

Q Let us take your color read and No. 8 on Appendix "B", that



is shaft mine coal?

A Yes, that is Southern Illinois; that is shaft mine coal in all cases; but one of those, the Forsyth Coal Company, that is a strip mine.

Q Now what is the production per man per day in that field, eliminating the strip?

A We can just compile those figures--about 9 tons.

Q That is clean coal over the tipples?

A I think that is based on the production.

Q Well, let's understand it now: Do you mean the production at the face per man per day?

BY COMMISSIONER MORRISON: No.

BY MR. FRAWLEY: Then it is the overall?

MR. STADELL: Yes. It varies in the three counties I gave you a trifle, but in Franklin County it is 9 tons and in the other two counties it is 8 and  $8\frac{1}{2}$ . The average of the three is about  $8\frac{1}{2}$ .

Q Are those mines fully mechanized?

A Yes. Cutting machines, loading machines.

BY COMMISSIONER MORRISON: There are some mines with higher production?

A Strip mines, but not shaft mines.

Q What about the Peabody?

A There might be some individual mines, like the mines of Mr. Burnham's company, one of which has been referred to as the largest mine in the world, which produces up to ---

MR. BURNHAM: Well, we produce around 12,000 tons of coal a day in that one mine. That is 365 feet deep, and we have that prepared at the end of a 7-hour day.

BY MR. FRAWLEY: What county is that?

A That is in Franklin County. We have here the coal report of the State of Illinois for 1944. That will give you most of those figures if you would like to have it.

BY MR. FRAWLEY: Thank you very much.



BY COMMISSIONER McLAURIN - What do you call this other

Illinois District? You spoke of the Southern District.

BY MR. STADELL

A. They start off as the North Part. These districts were constituted for rate making purposes, and have been for many years, and the boundaries are shown on map, Appendix B. That means that from all mines in the District to any given destination the rates are the same, and the different routes are related by differentials and rates of one against the other. You start out in the northern part and Group 1 on Appendix B is Northern Illinois. Sub-districts further west, one or two mines like Atkinson, Alpha and Victoria. Then you have the large district of the Canton area mines which are identified as 2 and 3 on the map. Immediately southwest you have two mines, one located at Augusta and one at Rushville. Those are unimportant except for local consumption. Then the large Springfield District, Number 4, and Belleville District, Number 6, and the Central District identified by No. 5, and the Duquoin District, No. 7, and the Southern Illinois District.

Q. Then 10, 11 and 12 in green?

A. Are in Indiana.

Q. And you have nothing to do with them?

A. Nothing to do with that, that is so far as this Hearing is concerned.

BY THE CHAIRMAN - In order to supply the necessities of war, including your exportation to Canada, would of necessity demand quite an additional capital expenditure, would it not? I am not trying to find out the amount.

A. I don't think so, except for additional machinery. The mine shafts were all there, and the mines have a very large productive capacity, and merely by adding additional mining machines, or loading machines, and procuring additional empties would quite substantially increase their production, which they did, and I know of no case, except possibly two, where any additional mines have been opened as a result of war.

Q. I didn't mean that, but I meant if the capital expenditure



increased very much through machinery and that kind of thing, to get that output?

A. That is right, for the machinery.

Q. I am asking that question not to embarrass anybody, but I always think it is rather a serious matter if industry will undertake to expend a lot of money for the purposes of war, and then the markets are taken away from them afterwards. I think it is a rather serious matter.

A. That is what is called brick and mortar.

BY MR. FRAWLEY - Mr. R. G. Raasch is here with a Brief. He is representing some United States Railroad Companies, and his Brief will be marked:

Exhibit 258 - Brief presented by R. G. Raasch  
on behalf of a group of U. S.  
Railroad Companies.

EXM. OF MR. RAASCH BY MR. FRAWLEY

Q. You live in Chicago?

A. Yes, Sir.

Q. And perhaps rather than my questioning you, you had better state who you are and why you are here today.

A. My name is R. G. Raasch, and my address is Room 236, 516 West Jacksonville Street, Chicago, Illinois. and I am here on behalf of the Railroads, parties to the Brief.

Q. And they are shown in Appendix "A"?

A. Yes, they are.

MR. RAASCH then reads Exhibit 258, as follows:

The Railroads of the United States named in statement marked Appendix A, attached hereto and made a part hereof, have been informed that your Honorable Commission is conducting a comprehensive investigation of the problems which now, or will in the future, confront the Dominion of Canada in obtaining, either through domestic production or importation, of adequate supplies of Coal adapted to the many and varied uses to which Coal is put in the Dominion of Canada. Those Railroads are the principal



transporters of Bituminous Coal from the Mid-western field (Illinois, Indiana and western Kentucky) to the international boundary for interchange with Canadian Railroads or to Great Lakes Ports from which it is trans-shipped by vessel to Canada. These Railroads, therefore, have a direct and substantial interest in the Commission's investigation and beg leave to submit the following statement in the hope that such may aid the Commission in making its determinations and findings.

The course of events during World War II has demonstrated the importance of Canada's having available to it the Coals produced in the Mid-western field, as well as the facilities of the railroads serving that field.

For the years 1943, 1944 and first eight (8) months of 1945, the movement of Mid-western coals to Canada amounted to 3,063,000 short tons.

BY MR. RAASCH - That is the movement by rail to Chicago for transportation by Lake Huron.

MR. RAASCH continues Brief

The Commission will, of course, find of value in its determinations data concerning the type and characteristics of the coals produced in the Mid-western field. This information, it is understood, is being presented to the Commission by the Mid-western Coal Operators, and will for that reason not be repeated here. The following is a table showing the production of Bituminous coal for the years 1933 to 1944, inclusive, in Illinois, Indiana and Western Kentucky.

1933.....	59,008,397	short tons
1934.....	64,280,779	" "
1935.....	68,404,000	" "
1936.....	77,119,000	" "
1937.....	77,930,000	" "
1938.....	64,039,000	" "
1939.....	72,017,000	" "
1940.....	78,274,000	" "
1941.....	88,767,000	" "
1942.....	103,890,000	" "
1943.....	112,865,000	" "
1944.....	123,450,000	" "

These Railroads will in this brief describe certain



features of the transportation of coal from the Mid-western field to destinations in Canada which are of value and importance to the Dominion of Canada, and which should impel your Commission to take no steps or make no findings or recommendations which would prevent the free movement of coal from the Mid-western field to destinations in Canada, a result which would re-act unfavorably not only to the railroads but also to interests in Canada.

The large supply of coal-carrying cars owned by the Railroads is of very substantial value to Canada. The records of the Association of American Railroads show that as of August 15, 1945, Canadian Railroads owned 21,075 hoppers and gondola cars, and that there were on the lines of the railroads operating wholly in Canada a total of 33,754 cars of these classes, indicating that the number of cars in the possession of and being used by the Canadian Railroads was 160.2 percent of the number which they own. The difference between the cars on and the cars owned by the Canadian Railroads of 12,679, represents cars owned by the railroads of the United States. The Railroads serving the Mid-western field own approximately 220,000 hopper and gondola cars, which are available and used for the transportation of Bituminous coal.

These figures show the vast reservoir of equipment which is available for the transportation of coal from the Mid-western field to destinations in Canada and is, therefore, available to the extent it is used in this transportation, to Canadian shippers in the transportation of their goods to other destinations in both Canada and the United States.

A considerable amount of coal moves from the Mid-western field to Chicago, where it is trans-shipped by vessel to Canadian destinations. The movement of this coal occurs when navigation on the lakes is open and during a period when the usual movement of coal by rail is light. Equipment, therefore, is available for this so-called lake movement of coal in sufficient quantities to assure a supply of empty cars. Adequate transfer facilities



are likewise available at Chicago for the transfer of coal from cars to vessels.

The movement of coal by lake furnishes return loading for vessels which might otherwise return empty if such loading of coal were not available.

Considerable coal has also been moved from the Mid-western field to Canadian destinations via all-rail routes, and the large number of routes serving this field assures the Canadian receiver of expeditious service, and the rates applicable via these all-rail routes are comparable with rates from other producing areas.

The foregoing is far from a complete discussion or description of all the coal handling facilities owned and operated by the Railroads of the Mid-western United States and of the benefits which Canada derives from them in obtaining its coal supply, in having equipment of United States railroads available to Canadian shippers, and in other ways. Canada needs the United States railroads to assure an adequate and regular coal supply in Canada, particularly in the areas of densest population and greatest industrial development in Ontario and Quebec. The huge resources of Bituminous coal and the great capacity of the railroad facilities in the United States are an ever-present asset to Canada upon which it may in the future, as in the past, rely for coal supplies so essential to Canadian welfare and future prosperity.

Wherefore, the railroads for whom this brief is filed urge the Commission to make no findings or recommendations which will prohibit or hinder the movement of Bituminous coal from the Mid-western field into Canada.

Respectfully submitted,

(Sgd) R. G. Raasch

Agent for Railroads Parties Hereto.

October 18, 1945.



APPENDIX A.LIST OF MIDWESTERN UNITED STATES RAILROADS  
PARTIES TO THIS BRIEF.

The Elton Railroad Company (Henry A. Gardner, Trustee)  
The Baltimore and Ohio Railroad Company.  
Chicago and Eastern Illinois Railroad Company.  
Chicago and Northwestern Railway Company.  
Chicago, Burlington & Quincy Railroad Company.  
Chicago Great Western Railway Company.  
Chicago, Indianapolis and Louisville Railway Company.  
(L. F. DeRamus and Holman D. Pettibone, Trustees)  
Chicago, Milwaukee, St. Paul and Pacific Railroad Company  
(Henry A. Scandrott, Walter J. Cummings and George I. Haight,  
Trustees)  
The Chicago, Rock Island and Pacific Railway Company  
(Joseph B. Fleming and Aaron Colnon, Trustees)  
Illinois Central Railroad Company  
Louisville and Nashville Railroad Company  
The Minneapolis & St. Louis Railway Company  
Missouri-Illinois Railroad Company  
Missouri Pacific Railroad Company  
(Guy A. Thompson, Trustee)  
The New York Central Railroad Company  
Southern Railway Company  
Toledo, Peoria & Western Railroad  
Wabash Railroad Company

BY MR. RAASCH - I want to thank the Commission for the opportunity to appear here, and to apologize for the Brief not being in printed form, but we have a Printers' strike in Chicago and could not put it in in that way.

MR. R. G. RAASCH (Sworn) EXAMINED BY MR. FRAWLEY

2. The rail rate to Chicago for furtherance by the lakes was of great assistance obviously to the movement of coal to the Upper Lakes from Southern Illinois Mid-western field. What preparation of the coal from the Mid-western field - I suppose a great propor-



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R. G. Raasch

tion of it is consumed in this Chicago area?

A. A large movement of coal from the southern fields to Chicago?

Q. Yes?

A. Yes, Chicago is of course the greatest market. They have a high rate on traffic moving from Chicago locally, higher than when it goes beyond by lake. There is a 40¢ differential.

Q. From any one of these shipping points to Chicago?

A. Yes, the local rate from southern Illinois fields to Chicago is \$2.05 per net ton, and for lake shipment \$1.65.

Q. And for local consumption it is \$2.05?

A. Yes.

Q. There is no solid train movement out of the southern Illinois field?

A. There is a movement but no rate, but there is a train load movement, and of course when the movement is heavy the railroads' plan is to move it in solid train load lots.

Q. It is to the advantage of the railroad to move it in solid train load lots in any event?

A. Yes.

Q. Is there any feeling on the part of the Operators that they should have a lower rate?

A. If there is such a feeling they have given no evidence of it to us as yet.

Q. As Mr. Stadell says, the only one was the Frisco Railway from Arkansas?

A. Yes.

Q. And the reate on that was?

A. It is several years since it happened, but I think it was a reduction of 90¢ a net ton. In other words the train load rate was 90¢ a net ton below the single car rate. I could, if you desire, furnish those figures.

Q. Thank you, but unless we write you for it, thank you just the same. We won't bother you too much. The railways for whom you are appearing do not include the St. Louis and San Francisco

The first part of the paper is devoted to a general discussion of the problem. It is shown that the problem is of great importance in the theory of the differential equations of the second order. The second part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The third part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The fourth part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The fifth part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The sixth part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The seventh part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The eighth part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

The ninth part of the paper is devoted to the study of the properties of the solutions of the differential equations of the second order. It is shown that the solutions of the differential equations of the second order are of great importance in the theory of the differential equations of the second order.

Railway?

A. No sir, I don't believe that they have any mines in Illinois that I know of. They don't reach Illinois, they terminate at St. Louis.

Q. You say in your brief ".....which would prevent the free movement of coal from the Mid-western field to destinations in Canada, a result which would re-act unfavorably not only to the railroads but also to interests in Canada." When you say the railroads, you mean your particular railroads?

A. That is correct.

Q. And when you say "interests in Canada"?

A. It would probably deprive Canadian consumers of the opportunity of using Illinois coal when the supply might be of great convenience to them.

Q. And would you say, deprive the Canadian consumer of the benefit of competition in that Mid-western field?

A. Yes. I didn't exactly have that in mind, but I think that is true.

BY THE CHAIRMAN - This Canadian supply of hoppers and gondola cars of 21,075, does that include only those owned by the two great railway systems, the Canadian Pacific and the Canadian National Railways?

A. That has I think included all the Canadian railways.

Q. Would you take into account the coal carrying cars that are owned by the subsidiary of the Dominion Coal Company, the Sydney and Louisburg Railway?

A. I think it didn't.

Q. It makes quite a difference, because they have a tremendous lot of cars.

BY MR. FRAWLEY - A Mr. H. C. Moore, President of Kentucky Coal Agency Incorporated, and who is a producer in the district shown colored purple and Number 15 on Mr. Stadell's map, Appendix "B", was to be here today. But through no fault of his own, in fact he got a broken rib, he could not come, and the man who was coming with him had a stroke, so was also unable to come, and they have



asked permission to file a brief, which they are forwarding by mail.

BY THE CHAIRMAN - And that will be put on the record?

BY MR. FRAWLEY - Yes, when it comes in I will bring it to the attention of the Commission and will give it an Exhibit number and have it put on the record. And now as Mr. Neate has been called for 2:00 o'clock, there is nothing further to bring before you this morning.

BY THE CHAIRMAN - We want to thank those two gentlemen who were here for their very valuable information to the Commission. I am sorry they were not here when their other American friends were here, because we had a pleasant evening with them.

HEARING ADJOURNED UNTIL 2:00 O'CLOCK P.M.

2:00 O'CLOCK P.M. HEARING RE-CONVENED

BY MR. FRAWLEY - The Brief which I mentioned this morning from the Kentucky Coal Agency Incorporated has come in during the noon hour, and I would like to now file it as Exhibit 259.

EXHIBIT 259 - A Brief on behalf of  
Kentucky Coal Agency Inc.

reads as follows:

"This brief is filed by the Kentucky Coal Agency Inc., which is an Association of all coal producing companies located in Western Kentucky. Its functions are to co-operate with Federal, State and Local Governments, producing companies, carriers, etc., to facilitate the production and movement of Bituminous Coal mined in this district.

The above statement is recited that your Honorable Commission may be appraised of facts prompting a submission of certain statements and data pertinent to Bituminous Coal produced in this District, as it relates to the study that your Commission is making relative to the problems of the fuel industry in the Dominion of Canada.

For a number of years this coal producing district has



enjoyed relations with the Dominion of Canada in the matter of furnishing a part of your coal requirements by rail, and, since 1942, shipments, in addition to rail movement, have moved by lake.

This District feels we are and will be in a better position to participate, on a much larger scale in the future than in the past, in making available more of our product in serving the Canadian market for Bituminous coal. It is our sole intent, at all times, to serve the important Canadian market in such a way that it merits the wholehearted approval of your Honorable Commission and the Canadian Government. It is indeed gratifying to have the opportunity to have the opportunity of presenting such overall facts as we deem pertinent to the situation.

We desire to call your attention to the following table, which covers a period from 1907 to 1944, inclusive, or 38 years which shows our annual production. We particularly call your attention to the fact that 10 years (1931-1940, inclusive), prior to World War II, our average annual production was 8,234,684 tons, and in 1941, our production increase over the above referred to period was 41.46 percent; production for 1942 was 62.45 percent more than the base period; our production in 1943 was 85.07 percent over the base period; and, in 1944, a similar comparison shows our production to have increased 142.12 percent over the base period.

By comparing our 1941 production with our 1940 production, we find an increase of 34.39 percent; 1942 by a like comparison over 1941, shows an increase of 14.84 percent; 1943 production over 1942 shows 13.93 percent; 1944 over 1943 production shows 36.74 percent.



TABLE SHOWING  
PRODUCTION OF COAL IN WESTERN KENTUCKY FIELD  
FROM 1907 - 1944, INCLUSIVE

<u>YEAR</u>	<u>WESTERN KENTUCKY</u>
1907	6,295,397 TONS
1908	5,800,120 "
1909	5,871,285 "
1910	8,344,295 "
1911	7,160,541 "
1912	7,873,328 "
1913	8,517,640 "
1914	7,899,596 "
1915	7,671,904 "
1916	7,898,522 "
1917	10,304,423 "
1918	10,899,594 "
1919	8,743,479 "
1920	11,198,258 "
1921	8,615,856 "
1922	14,202,176 "
1923	10,996,764 "
1924	9,020,071 "
1925	12,186,557 "
1926	15,464,023 "
1927	21,204,590 "
1928	16,277,216 "
1929	14,437,148 "
1930	10,915,301 "
1931	8,579,500 "
1932	9,540,048 "
1933	7,834,397 "
1934	8,214,779 "
1935	8,134,122 "
1936	8,370,364 "
1937	8,562,890 "
1938	7,367,746 "
1939	8,075,000 "
1940	8,668,000 "
1941	11,648,660 "
1942	13,377,328 "
1943	15,240,317 "
1944	<u>19,938,256</u> "

GRAND TOTAL: 391,349,491 Tons

Average Production per Year 1931 to 1940, Inclusive 8,234,684 tons.

1941	production increased	41.46	percent over average ten years (1931-1940)
1942	"	"	62.45 " " " " (1931-1940)
1943	"	"	85.07 " " " " (1931-1940)
1944	"	"	142.12 " " " " (1931-1940)

1941	production increased	34.39	percent over 1940 production
1942	"	"	14.84 " " 1941 "
1943	"	"	13.93 " " 1942 "
1944	"	"	36.74 " " 1943 "



By further consideration in comparing our production in 1944 with the average annual production for the ten year period prior to the War, we show an increase by actual tons of 11,703,572 tons.

The above is recited to show your Honorable Commission that accelerated demand during the War period required increased production which brought about permanent modern mines and washing plants and expansion which insures the increased capacity of this producing field in post-war years. We may further say this expansion has been brought about by new operations, modern methods of mechanical loading, and cleaning. Particularly we desire to point out that our preparation and cleaning by large and latest type washeries during the post-war years will make available for market 10 to 12 million tons of washed coal per annum.

We may further say in consideration of our present rate of production that 1945 will show an increase over 1944.

This coal is produced from what is known as the Western Kentucky Coal Field, comprising 16 counties with a total area of 7,359 square miles, in which 55 companies are operating 78 mines. Our present daily and monthly carload rated capacity is 1500 carloads and 45,000 carloads, respectively.

The seams being operated in this District are of sufficient thickness that ultra modern mechanical apparatus may be utilized thereby producing coal at a cost commensurate with the lowest cost of any district located within the United States, and it is to be noted in the distribution of coal as in other commodities, whether in mining or manufacturing, the cost of any product relates directly to the sale price of such product.

As a result of the ultra modern methods of mining and cleaning, as referred to above, the average number of tons produced per day per man in this District exceeds by approximately 25 percent the average amount produced per day per man for the entire Bituminous Coal Industry of the United States. Further evidence of the efficiency of production in this District



is that by the decreasing of hours worked per man per day, tonnage produced per man day per man has increased.

We may further state that as a result of modernization, our present percent of mining method is as quoted below:

12.61 Percent Underground Hand Loaded

61.81 Percent Underground Mechanically Loaded

25.58 Percent by the Strip Loading Method

The above shows that in the development of our increased production the trend of better loading methods is far in excess in this district of the general trend in modernization of the coal industry in the United States.

Coal deposits and reserves in this District that have been explored as to location and volume are far in excess of two billion tons. In addition thereto, in adjacent unexplored territory and by continuation of the strata, there are additional billions of tons yet to be mined.

Our transportation facilities consist of railroads and rivers. This District is most fortunate in the fact that it is served by the Illinois Central and Louisville and Nashville Railroad Companies, which are both primarily coal hauling railroads. In considering the combined open-top car equipment of the two railroads, we find they own a total of 94,110 open-top cars. By combining the carloads of coal actually transported by the same railroads, we find that in 1943 the total handled was 57,866,904 carloads of coal, which places them in 4th place among the coal handling railroads of the United States.

With such facilities, this District is in position to be assured ample car supply and a 3rd day delivery from point of origin to docks located on the southern tip of Lake Michigan, namely, Chicago, at a freight rate competitive with that enjoyed by any and all districts of the United States shipping coal to docks for re-shipment via the Great Lakes.

In submitting the above brief to the Royal Commission on Coal for Canada, we trust it will be accepted and considered as



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F. G. Neate

true statements of facts designed to be informative to your Honorable Commission in considering the welfare and economic conditions of our neighbour country, the Dominion of Canada, and in no way is it designed to be critical or suggestive in your most important study.

It is further hoped that at some future date, a duly appointed representative or representatives will have the privilege of appearing before your Commission to furnish any additional data or information you might desire.

Respectfully submitted,  
KENTUCKY COAL AGENCY INC.,

(Sgd) H. C. Moore  
President."

BY MR. FRAWLEY - Mr. Neate is heré, and his Exhibit will be 260. If you will look at the two volumes, one is only being entered into the record by Mr. Neate and made an Exhibit, that is subject to your ruling, so if you will take Volume I, we will call it Exhibit 260.

Exhibit 260 - Report on the Activities of the  
Dominion Fuel Board - Volume I.

BY MR. FRAWLEY - What we will do with Volume II can perhaps be decided later. It consists of a story of the conferences and the memoranda passing from Mr. Neate to various Ministers of the Government at the time subventions were introduced, and later amended and changed down through the years. There are separate sections dealing with Nova Scotia, New Brunswick, Saskatchewan, Alberta and British Columbia. Mr. Neate's suggestion is that this simply be left with the Commissioners and the Secretary and myself, for information. There are some things in there that probably should not go into the public transcript, but that is for the Commission to say. A definite decision on that perhaps can be deferred until the Commissioners have read it. Volume I will be Exhibit 260 subject to your ruling.

BY MR. FRAWLEY TO MR. NEATE

Q. Mr. Neate, you are the Deputy Coal Controller?



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F. G. Neate

A. That is correct.

Q. And you have been for many years Secretary of the Dominion Fuel Board?

A. In Government service for the last twenty-five years.

Q. And Secretary of Dominion Fuel Board for how long?

A. Over 20 years.

BY MR. FRAWLEY - I am handing to the Reporter a resume' of Mr. Neate's experience both in and out of the Government, and to save Mr. Neate the embarrassment of reading all that off, I think it can go into the record as though Mr. Neate had read it.

"F. G. Neate

British Subject

Born October 4th, 1889.

#### Education

Primary and Public Schools

Preparatory School

Cambrian School of Mines

Passed Mine Manager's Examination (1st class)

Also two years private tuition in the development of English Literature, Systems of Philosophy and the bearings of the Einstein Theory.

#### Experience

1908-1910 Employed by Insoles Limited of Perty, S.W., under J. E. Evans M.E. on both surface and underground operations and later with the Great Western Collieries Limited at Pontypridd under Wm. Davis M.E. similar to above but also office management and layout work. General mining operations from face to tipple, including surveying.

1910-1914 Canadian Northern Railway Engineering Department both field and office work. Qualifications to carry out precise instrument work and general office engineering experience. Position - Assistant Resident Engineer.

1914-1915 Canadian Expeditionary Force 1st Canadian Division, 2nd Field Company Engineers.

1916-1919 Imperial Ministry of Munitions - Assistant to the Chief Inspector of Steel at Headquarters, Ontario.

1920 In South America looking over engineering prospects.

1921-1923 Office Engineer, Geodetic Survey, Department of the Interior.

1923-1926 Engineer Grade II, Dominion Fuel Board.

1926-1939 Executive Secretary, Dominion Fuel Board.



- 1939-1942 Appointed Technical Adviser to the Coal Administrator, Order-in-Council P.C. 3118.
- 1942 Appointed Deputy Coal Administrator, Order-in-Council P.C. 152.
- 1943 Appointed Deputy Coal Controller, Order-in-Council P.C. 1752.

Membership  
in

- (1) National Geographic Society (1923)
- (2) Canadian Institute of Mining and Metallurgy.
- (3) Mining Committee at the Imperial Economic Conference, 1932, representing the Federal Department of Mines.
- (4) Member Federal Government Committee representing Canada with respect to the marketing of United States bituminous coal, 1939.
- (5) Member of the National Coal Conservation Committee, 1943.

Prepared submissions and acted in an advisory capacity to thirteen Federal and Provincial Royal Commissions or Committees of Inquiry into the coal industry from 1925-1939.

BY MR. NEATE - I have prefaced this Brief with a preliminary report and recommendation of Special Committee called to consider the situation in connection with Canadian Fuel Supply, of November 8th, 1922, of which Dr. Charles Cansell was Chairman.

MR. NEATE then reads Exhibit 260, as follows:

PRELIMINARY REPORT AND RECOMMENDATION OF SPECIAL  
COMMITTEE CALLED TO CONSIDER THE SITUATION IN  
RESPECT TO CANADIAN FUEL SUPPLY

November 8th, 1922.

The Fuel Situation in Canada.

During the past few years an actual coal shortage in central Canada, due to conditions created by the war, and the threats of serious and dire consequences that might readily ensue, were that shortage to become acute, have served to draw public attention very strongly to a situation which the public records have shown to exist for many years. The fuel shortage has not only resulted in the imposition of abnormally high and possibly unjustifiable prices, but has actually restricted in many instances industrial activity.



There is no actual shortage of coal resources in either the United States or in Canada, at least in so far as bituminous coal is concerned, so that the problem involved relates primarily to questions of production, distribution and use.

The Canadian coal fields are situated in the extreme east and in the western provinces, while the great central provinces of Ontario and Quebec, the chief centres of population, are more easily and, presumably, more economically supplied with coal from the nearer coal fields of Pennsylvania and Ohio. Further, there is no anthracite coal in eastern Canada, which has grown dependent upon the anthracite output of Pennsylvania for that most desirable of the domestic fuels, since anthracite is not only the chief domestic or house fuel in Ontario and Quebec, but is imported even into Nova Scotia coal districts, and has been largely used also in Manitoba and Saskatchewan.

The coal reserves of Canada and the United States, the surveyed peat reserves in Manitoba, Ontario and Quebec, the annual production, imports and consumption of coal, are graphically represented in accompanying charts and may be briefly tabulated as follows:

Total available Coal Reserves, as estimated by the  
Geological Survey in 1913. Quantity expressed in  
million metric tons.

Nova Scotia.....	9,719	Alberta.....	1,072,627
New Brunswick....	151	British Columbia.....	76,035
Ontario.....	25	Yukon.....	4,940
Manitoba.....	160	Northwest Territories..	4,800
Saskatchewan.....	59,812	Arctic Islands.....	6,000

Total 1234,269

Canada has also very large resources in PEAT which may be converted into fuel.

The systematic surveying of about 350 square miles of peat bogs has disclosed an available quantity of 190,000,000 tons of peat fuel containing 25 percent moisture. The area examined



is not over 1 per cent of the estimated area of peat bogs in Canada. In Ontario forty-fix bogs surveyed contain approximately 110,000,000 tons of peat fuel containing 25 per cent moisture. In Quebec twenty-three bogs surveyed contain 70,000,000 tons of peat fuel containing 25 per cent moisture.

Canada has also large resources in natural gas and potential resources in petroleum and oil shale.

Notwithstanding these resources, Canada has for the reasons already noted been importing from 50 to 60 per cent of the country's annual consumption of coal.

Annual Production, Imports and Exports of Coal  
Quantity in million short tons.

	<u>1913</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Production	15.0	13.3	14.5	14.0	14.9	13.7	16.6	15.0
Exports	1.5	1.8	2.1	1.7	1.8	2.1	2.5	2.0
Imports Bituminous	13.5	8.4	13.0	15.5	16.9	12.4	13.7	13.7
" Anthracite	4.6	4.0	4.5	5.3	4.8	4.9	4.9	4.6
Consumption	31.6	23.9	29.9	33.1	34.8	28.9	32.7	31.3

The efficient utilization of coal presents many problems for a study of which extensive research laboratories have been established in England, the United States, Japan and other countries, and to which Canada is also making a contribution through its Fuel Testing and Research Laboratories in the Mines Department.

Quite apart from these problems, however, though more or less directly related to them, Central Canada has in the provinces of Ontario and Quebec chiefly, a special problem in the matter of a continuous and satisfactory fuel supply and this area may be termed the acute fuel area.

The Western provinces and the provinces of Nova Scotia and New Brunswick have ample supplies of coal entirely suitable for industrial use and these coals for years have also been satisfactorily used for domestic purposes. Hence, with the possible exception of the coal required for railway locomotives in the Western provinces the fuel requirements for both industrial and



domestic purposes can be satisfactorily met by locally produced coal.

The Acute Fuel Area and its Problem of a Suitable  
Domestic or House Fuel Supply.

The acute fuel area, however, possesses no high grade fuel supplies suitable for industrial and domestic purposes, but depends entirely upon the United States for anthracite coal for domestic purposes and almost entirely upon the same source for industrial bituminous coal. The industrial fuel problem of these provinces, it is believed, is not of immediate serious moment. Quebec is already partially, and can be largely supplied from Nova Scotia. In Ontario, as also in Quebec, the development of hydro-electric energy on a very large scale has already eliminated the necessity of importing several million additional tons of industrial fuel. The extended and wise development of this energy will tend to restrict the increase of imports of industrial fuel. The United States possesses enormous resources of bituminous coal more easily and cheaply minable than is our Nova Scotia coal, and possessing distinct advantages in transportation costs to points of consumption in central Ontario. The capacity of present developed mines is far beyond United States consumption requirements, and an export market is being assiduously sought. On the other hand, conditions affecting coal mining in Nova Scotia are such that it may be several years before the output can be increased sufficiently to take care of even the requirements of the province of Quebec, in addition to those of the Maritime Provinces.

Much as it may seem desirable from a national and economic viewpoint to become entirely independent in the matter of fuel supply, it appears to be highly improbable that imports into central Canada of American bituminous coal will ever be entirely eliminated. Moreover, the substitution of a Canadian supply from either our eastern or western coal fields, were it possible, would not necessarily eliminate the conditions or causes that have occasioned the shortage experienced in bituminous coal supply,

The domestic fuel problem is, however, entirely different.



The acute fuel area is dependent practically entirely on American anthracite for heating dwellings and buildings during seven or eight months of the year. Available resources of anthracite coal are not limitless, or even large, as are those of bituminous coal. On the contrary, the life of the American anthracite fields at present rate of production has been placed at much less than one hundred years. It is believed that the year of maximum annual production has already been passed. Not only is the annual output likely to diminish, but the difficulties and costs of mining are annually increasing. American anthracite is rapidly becoming the rich man's fuel. Central Canada cannot possibly hope to continue to use indefinitely this fuel in the quantities hitherto imported.

Therefore, while it is highly desirable to increase as far as may be economically feasible the consumption of Canadian in place of imported fuel, the serious problem facing the Canadian public at the present time is the provision of an uninterrupted supply at a reasonable price throughout the acute fuel area of a substitute fuel for diminishing supplies of anthracite.

Before suggesting a policy of Government action, it will be in order to briefly review the studies and investigation already made or in progress in Canada relating to fuels and fuel problems.

Studies and Investigations already made or in progress  
relating to fuel and fuel problems.

1. Dominion Government

(1) Department of Mines

The Geographical Investigation and Mapping of Coal Areas

has been continuously in progress, and an immense mass of information respecting coal fields, their character and extent has been made available in numerous reports. It is upon the basis of these studies, which have been in progress since before Confederation, that it has been possible to make estimates of the probable coal resources in Canada.



Special detailed surveys of peat bogs have been in progress since 1908 to determine the character and available quantity of peat.

The annual collection of statistics of production of coal, 1886 to 1920, (the collection for 1921 and following years now being made by the Dominion Bureau of Statistics.)

Systematic laboratory investigation of Canadian coals was begun in 1906. The first series of tests on 67 samples of coal from all parts of Canada was made at McGill University, 1906-1910, and the results published in seven volumes. Testing and research work on Canadian fuels was placed on a more permanent basis by the establishment in Ottawa of the Fuel Testing Laboratories of the Mines Branch. The work undertaken and in progress includes:

Boiler and producer gas trials on peat, lignite, and coal.

A Report upon the products and by-products of coal, 1915.

An investigation of the status of the peat and lignite industry in Europe, 1908.

A Report upon the value of peat, lignite and coal as fuels for the production of gas and power in the by-product recovery producer, based upon an investigation of European practice, 1914.

A Report upon the preparation, transportation and combustion of powdered fuel, 1920.

Experimental operation of peat bog at Alfred, Ont., 1909-1911.

The carbonization, by-product recovery from, and briquetting of lignites, (work continuously in progress).

Recent work on peat carbonization, peat coke, recovery of alcohol and of oils, and briquetting.

The standardization and classification of coals.  
Large scale tests on steam generation by powdered fuel, (Peat, lignite and coal).

The volume of Canadian oil shales as a source of oil.  
The distillation of retorting of oil shale. the character and



value for power fuel or lubricating purposes of the recovered oil. The standardization of a laboratory method for examination of oil shale samples.

Fuel value and furnace tests on substitutes for Pennsylvania anthracite when burned in standard heaters.

Investigation of house heaters, with a view to determining designs best suited for the efficient burning of fuels other than anthracite.

Analyses of Canadian coals. Accumulated records have been published in 5 bulletins.

Some 22 reports or publications have been issued on studies and investigations made.

(2) Peat Committee

Joint investigation by Dominion and Ontario Governments on the feasibility of the economic production of air-dried peat fuel.

Experimental operation of peat bog at Alfred, 1918-22.

(3) Honorary Advisory Council for Scientific and Industrial Research.

Reports on "The Briquetting of Lignite", "The Heating of Houses, Coal and Electricity Compared", "Fuel Saving Possibilities in House Heating".

Lignite Utilization Board

The development from laboratory experimental to commercial operating stage of the production of a high grade carbonized briquetted fuel from Saskatchewan lignites. Experimental laboratory work at Mines Branch laboratories, Ottawa. Commercial scale operating plant at Bienfait, Saskatchewan, 1918 to date.

(4) Conservation Commission

Reports on conservation of coal in respect to both mining and use.

(5) Natural Resources Intelligence Branch. Dept. of the Interior.

The accumulation and dissemination of information respecting natural resources.



(6) Fuel Controller.

Following his administrative work as Fuel Controller, 1917-1919, Mr. C. A. Magrath included in his report a section on "Canada's Fuel Problem", embodying a very practical discussion of the whole subject. This report includes two sub-sections by noted authorities on the use of gas and coke from by-product ovens.

(7) Dominion Water Power Branch. Dept. of the Interior.

The study and investigation of water power resources by this Branch, and the studies and investigations of the Dominion Power Board involve an important contribution to the reduction of coal consumption in Canada.

(8) Special Committee of the House of Commons on Fuel Supply, 1921.

A complete record of the evidence of 40 or more witnesses on different phases of the Canadian fuel situation has been published, together with the conclusions and recommendations of the Committee.

2. Ontario Government

Reports on Peat, and on attempts to develop the peat industry.

Joint action with the Dominion Government in the "Peat Committee" investigations already noted.

3. Alberta Government

Records of inspection of Coal Mining Operations.

Statistics of the industry.

A geological investigation of the Drumheller coal field.

Extension of markets propaganda. Bituminous coal burning demonstration plant at Winnipeg.

Scientific and Industrial Research Council of Alberta: Studies and research in respect to screening tests; boiler tests; house heating furnace tests; methods of coal sampling; carbonization of lignite.

4. Nova Scotia and British Columbia Governments

Detailed records of inspection of coal mining operations.

Statistics of the Industry.



5. Canadian Universities

A number of minor studies and researches on fuels.

6. Industrial Firms

Briquetting of bituminous coal in Nova Scotia, of anthracite fines at Toronto, and of Alberta anthracite slack at Bankhead, Alberta.

By-produce coke oven production at Sydney, N. S., Hamilton and Sault Ste. Marie, Ont., and at Anyox, B. C.

Powdered fuel installations at a number of industrial plants.

A Policy for Further Government Action

It is evident to your Committee that a large amount of information is already available respecting fuels, and that a considerable amount of investigation is in progress having a direct bearing upon the solution of the acute problem already defined as well as upon the general problems relating to the most efficient use of fuels.

Coming now to the question of suggesting or recommending further action by the Government in contributing to the solution of the acute fuel problem, we may refer to the recommendations of the Fuel Controller, Mr. C. A. Magrath, and those of the Special Committee of the House appointed to investigate the fuel problem.

Mr. Magrath discusses in some detail the establishment of central heating plants, of by-product coke oven plants, the use of pulverized fuel, the briquetting of coals and lignites, etc., and specifically recommends that some agency be assigned the duty of looking into mining conditions in Canada in connection with methods of mining, wasteful extraction of coal, costs, etc.; that conditions in the United States be closely followed with a view to being forewarned of any unusual happening likely to affect supplies; that efforts be made to increase the efficiency of the present methods of utilizing coal; that the development of new methods of domestic heating and the production of power should be actively followed and tentative plans advanced by competent consulting



engineers for the location of plants either central heating, or by-product coke and gas plants, or both.

The Special Committee on Fuel Supply recommended "that there should be an officer of the Government appointed for the purpose of keeping in close touch with the fuel situation in Canada", "he should have authority also to inquire into all phases of the fuel situation, and to select such experts as he may deem necessary to carry on the work entrusted to him". This Committee's recommendation also suggested the greatest possible development of hydro-electric energy; the electrification of railways; the improvement of the means of transportation of coal by water; the encouragement of the use of coke, peat and briquettes in place of anthracite; the purchase and storage of coal in the early summer; and that a campaign of publicity be maintained for the purpose of educating the people of Canada to the need of using Canadian coal whenever possible to do so, and to inform them of the best methods of using the various fuels for both domestic and industrial purposes, in order to obtain the greatest possible efficiency and increase the demand for our national products.

While it is apparent that many of the recommendations made by Mr. Magrath and by the House Committee are being given effect through various Government departments, nevertheless the studies and investigations in progress could be greatly extended, and the results accumulated and correlated.

In view of the real and serious importance of the acute fuel problem, the greatly alarmed state of the public mind, and the evident necessity for advice and guidance, the organization of a Dominion Fuel Board is recommended, to be composed of Government officials already connected with the investigation of fuels, and to be clothed with such authority as Council may find it expedient to grant for carrying out more fully the recommendations above referred to, and assisting the public in procuring and using a suitable fuel supply.



P. C. 2381

Certified Copy of a Report of the Committee of  
the Privy Council, approved by His Excellency  
the Governor General, on the 25th November, 1922.

The Committee of the Privy Council have had before them a Report, dated 8th November, 1922, from the Minister of Mines, submitting that in view of the present fuel situation, and of the recurrent conditions which have in the past disturbed the public mind and entailed much inconvenience, hardship and monetary loss, and particularly in view of the certain ultimate necessity of substituting other fuels for anthracite coal for domestic heating purposes in Central Canada, it is desirable that a thorough study of Canada's fuel problems be undertaken, with a view to arriving at such solutions as may be in the public interest.

The Minister states that in the several Departments of the Federal Service, there are permanent officers who have been giving these problems extensive study, and have already accumulated in their respective offices a great deal of valuable information respecting the available fuel supply for Canada, and are engaged in investigations having a direct bearing on the solutions of these problems.

That the duties of advising upon, extending and supplementing the studies and investigations now in progress, looking to the solutions of these problems can be most expeditiously, effectively and economically performed by a departmental Board composed of permanent members of the Federal Civil Service.

The Minister therefore recommends:

That there be created a Dominion Fuel Board charged with the duty of investigating and reporting upon this matter.

That this Board be authorized to secure all available data, to consult and cooperate with such individuals or bodies as they may deem specially qualified to advise upon any particular phase or phases of this work and with the approval of the Minister



to employ such technical assistance as may be found necessary.

That the expenses of the Board shall be met from the Mines Branch appropriation, - "For the investigations of mineral resources.....etc." upon certificate of the Chairman and Secretary when approved by the Minister of Mines.

That the Board shall consist of the following six officers, three to form a quorum, of which the first named shall be Chairman, the second named shall be the Vice-Chairman, and the last named the Secretary.

Charles Cansell, Deputy Minister, Department of Mines.

John McLeish, Director, Mines Branch, Department of Mines.

B. F. Haanel, Chief of Fuel Testing Division, Dept. of Mines.

D. B. Dowling, Geologist, Department of Mines.

J. B. Challies, Director, Dominion Water Power Branch, Department of the Interior.

F. C. C. Lynch, Superintendent, Natural Resources Intelligence Branch, Department of the Interior.

x Dr. D. R. Cameron, Forestry Branch, Department of the Interior.

That the Chairman, with the approval of the Minister may add to the number of the Board additional members qualified to assist the Board in its work.

The Committee concur in the foregoing recommendations and submit the same for approval.

(sgd) Rudolphe Boudreau

Clerk of the Privy Council.

x added to Board with approval of the Minister.

#### CREATION AND FUNCTIONS OF THE DOMINION FUEL BOARD

It is noted that prior to the creation of the Dominion Fuel Board a Committee under the Chairmanship of the Deputy Minister of Mines prepared a preliminary report and recommended to the Government what action should be taken with respect to the Canadian Fuel supply. The report to the Government was dated November 8, 1922, and the Dominion Fuel Board was created by Order-in-Council slightly less than three weeks later, or on November 25, 1922.

The aims of the Board are clearly defined in the Interim Report of the Dominion Fuel Board published in 1923. The Second Progress Report of the Board, published in August, 1928, reviews



what the Board has done up to that time. For the period 1928 to the middle of 1941 additional information of the work carried out by the Board has been prepared.

The duties, functions and establishment of the Dominion Fuel Board were transferred to the Coal Administrator by Order-in-Council P.C. 27/4600, of June 25th, 1941.

It might be as well at this time to analyze the work of the Board, particularly during the period from 1935 to the commencement of hostilities as activities changed a great deal from the type of organization originally created.

When the Board was formed in 1923, its purposes were purely investigatory. The conception of a technical Board with a membership drawn from Government departments touching all phases of the fuel industry was one admirably adapted to the analyses of the fuel problems of Canada at that time. The addition to the Board's duties of an ever increasing administrative factor evolved through translation of the findings of the Board's investigations into Government policies of active assistance to the industry, placed upon the Secretary of the Board a burden of responsibility not anticipated. It became increasingly difficult to share this responsibility with the members of the Board. This was entirely natural when it is recollected that the Board members are chiefly heads of their own busy divisions serving without pay on the Board, and that it was virtually impossible for them to keep in close touch with the rapidly changing commercial situations and physical aspects of the fuel industry.

In December, 1935, an Order-in-Council P.C. 3971 was approved setting up a Sub-Committee of the Cabinet to give attention to problems relating to Canada's fuel situation, it being desirable that such problems be given parliamentary consideration by those members of the Privy Council most directly concerned therewith. Five ministers were appointed, under the Chairmanship of the Honourable T. A. Crerar, Minister of Mines and Resources, and the Committee functioned up to and including 1939.



BY MR. NEATE - I may say that the Sub-Committee consisted of Hon. W. D. Euler, Hon. J. L. Illsley, Hon. Norman Rogers and Hon. C. D. Howe, and Hon. Mr. Crearor as Chairman.

BY MR. FRAWLEY - That is the first Committee of the Cabinet?

A. The only Sub-Committee.

BY COMMISSIONER MORRISON - When you use the language that the Committee functioned, you mean they met from time to time?

A. Yes, and at the meetings they functioned. They decided on policies which had to be translated into administrative work.

Q. Even if the meetings were few and far between, they did function?

A. Quite so, Sir.

MR. NEATE continues Brief

After the Sub-Committee of the Cabinet was appointed, it became increasingly difficult to obtain a quorum for a Dominion Fuel Board meeting and only four meetings were held during 1936, one in 1937, two in 1938 and two in 1939, in other words, the Dominion Fuel Board as such practically ceased to function. In its place there was an executive head with a small, but efficient and informed staff of thirteen, all on a full time paid basis. The functions of the unit were to carry out necessary investigations of the fuel industry and under the ultimate direction of the Chairman and Vice-Chairman of the Board to administer the various measures of assistance to the industry, amounting to some four to five million dollars annually.

It would appear that the appointment of the Sub-Committee of the Cabinet was evidence that the Dominion Fuel Board as constituted, did not fulfill Government requirements when problems of policy or administration arose in connection with the industry or the large expenditure involved.

The policy of Government with respect to the coal and related coke industries in Canada can be deduced from a reading of the various Orders-in-Council providing assistance - chiefly in the form of transportation subventions - to coal and coke producers.



Briefly outlined, this policy recognizes the difficulties inherent in the geographical relationship of the chief coal deposits to the major concentrations of population and industry in the Dominion, and provides assistance, up to certain definite limits per ton, to the transportation of Canadian coals to consuming centres at which they are at a disadvantage in competing with imported fuels.

The Dominion Fuel Board, which administers the Orders-in-Council providing this assistance, and also the Domestic Fuel Act, (1927) which bonuses the production of coke for domestic use, is also charged with the general and continuing survey of the coal industry as a whole and is a chief source of information for the policy making agencies of the Government comprised in peace-time of the Fuel Sub-Committee of the Cabinet.

This policy of transportation subventions, initiated in 1928, has been followed consistently by both Liberal and Conservative Governments up to the present. It was rooted in conditions of unemployment - both seasonal and general - in the industry caused by declining demand for coal and to some extent by overdevelopment.

The basic principle followed throughout this period has been to provide assistance only on movements to destinations where the Canadian coal was at a disadvantage in competing with imported coal and to make the assistance as nearly as possible equal to the amount of that disadvantage up to the limits set by Government. Enabling authority has been by Order-in-Council rather than by Acts of Parliament for purposes of easier adjustment to changes in the competitive position.

Since Canada has for very many years imported approximately half its requirements of coal it is apparent that the amount of coal moved under assistance would be limited only by the capacity of the mines to produce and the maximum amount per ton of assistance provided (always granted that the Canadian coal could match the quality of competing imported fuels).

Because the St. Lawrence waterway facilitates cheap



bulk shipments of Nova Scotia coal to St. Lawrence depots, the amount of assistance per ton to enable these coals to compete in the large markets available in Central Ontario and Quebec, is considerably less than the amounts required to enable Western coals to compete for the industrial trade in these markets. In setting the maximum limits of assistance payable, it is probably a correct assumption that in practice the governing factors have been the tonnages of Nova Scotia coal available for shipment, the transportation and storage facilities for these coals and the effectiveness of the sales promotion policies of the chief suppliers of Nova Scotia coal.

Maximum rates of direct assistance to Western coals moving into Ontario have not exceeded maximum rates available to Maritime coals into this market, though indirect assistance through special rates provided by the railways on movements of Western coals to Central Ontario represents assistance at least equal to that provided by Government.

In addition to the limitations outlined above a policy can be discerned of so designating areas to which movements can be made at maximum assistance rates, that eastern and western coals shall not use the assistance to compete with one another in the same markets.

The success of the Nova Scotia suppliers naturally led western operators and producers in Nova Scotia and New Brunswick not blessed with water shipment facilities, to make invidious comparisons of the relative total amounts of assistance paid to the more fortunately situated operators and themselves.

BY COMMISSIONER MORRISON - The word invidious is your own?

A. It is my own, it is my verdict.

MR. NEATE continues brief

Pressure for some Governmental action either by increased assistance, duties, embargoes, quotas or other methods designed to enable these operators to obtain a larger share of the Ontario and Quebec markets has been continuous and insistent.



It has been difficult for Government to answer these demands without being in a position to outline a definite coal policy for the country.

It is to be noted that the subvention policy does not increase the cost of coal to consumers directly, though the cost of subventions and the loss of revenue from the duty on the imported coal which would otherwise have been used are distributed to all taxpayers.

There is no reason to assume that here in Canada we have not done our part in keeping up to date with technical developments. We have a thorough knowledge of our own coals and the Fuel Research Laboratories of the Department of Mines and Resources are continually examining various processes leading to greater combustion efficiency and economic utilization.

The fact that considerable attention has been given to methods of Liquifaction - Hydrogenation - Low Temperature Carbonization and other chemical by-products from coal does not indicate that there is any immediate solution to the problem of keeping Canadian coal mines operating full time when the market is in over supply, or does it promise to provide additional supplies to meet extraordinary demands created by war.

European countries, Great Britain, the United States and ourselves have done and are continuing to carry out extensive research programmes along these lines but it would be presumption to think that such will contribute to the immediate solution of our fuel problem.

A thorough and systematic study of the Canadian fuel situation has been constantly in progress. A necessary part of this study has been the maintenance of direct connections with the coal industry both in Canada and in competitive foreign or outside fields for obtaining information of a degree of accuracy and of a nature not otherwise obtainable.

The Executive Secretary of the Board has, from time to time, visited the principal coal mining centres throughout the



Dominion as well as the competing fields in the United States and Great Britain to study at first hand the production and marketing problems in the various areas. Direct contact has also been maintained with industrial conditions in the various coal consuming centres throughout the Dominion.

The various forms of Government assistance or co-operative measures that have been provided by various agencies in other countries to stimulate the coal industry have been made the subject of enquiry by the Board and such developments outside of Canada in the international set-up, likely to have an effect on the Canadian coal trade, have been carefully watched and reported upon.

#### HISTORY OF SUBVENTIONS

The first argument for subventions emanated from the final report of the Fuel Controller after the last War (1919) wherein he stated that the uncertainty of a single source of supply for one of the prime necessities of life and industry was a serious matter and it was important that Canada become more self sufficient in fuel supply.

It was further pointed out that there was a large market in Canada which Canadian producers were unable to enter owing to the distance from the coal fields and this market was, therefore, supplied with foreign coal. It was evident, however, that to make Canada more self sufficient would require higher tariffs, sales control or financial assistance to the coal industry. To entirely displace United States coal in the Ontario market alone could only be done at enormous cost to either the Government or coal consumer and estimates made as to such a possible displacement indicated that it would cost in excess of fifty million dollars annually, based upon 1935 United States prices and costs of Canadian coal, it would probably be much greater today.

On March 31, 1924, the following resolution was adopted by Parliament:

"That in the opinion of this House, the time has arrived for Canada to have a National Policy in relation to its



"coal supply and that no part of Canada should be left dependent on the United States for such supply.

"The Government should immediately consider the institution of an all British and Canadian coal supply and that such a policy is both a social and economic necessity and in the best interests of the future of Canada."

This resolution had as an objective the displacement of United States coal and in providing assistance to the Canadian coal industry the policy of Government has been to facilitate the transportation of Canadian coal to markets in Ontario, Quebec and Manitoba where it could, with the aid of subventions, displace certain tonnages of foreign coal.

The only exception is the case of British Columbia where assistance is provided to local coal operators to enable them to compete with cheaper grades of fuel oil when used for bunkering purposes, or, if an export market can be secured in countries other than the United States.

The subvention policy which existed from the early twenties up to 1939 was apparently, in the opinion of the Government, the least of several evils. Its origin to make Canada more self sufficient was definitely changed after 1930 to provide employment for the mine worker. To enlarge the market by establishing a quota system or by increasing the tariff would only tend to increase the cost of coal to industry and consumer generally. Subventions did assist our own coals to meet outside competition without increasing the cost of coal to manufacturers and it did during the period of depression reduce the amount of relief that would otherwise have been required in the various coal mining areas.

The difficulties of supply today are exactly the same as during the 1917-1920 period which created a serious consumer problem. This condition will again change in the very near future to a producer problem, which is equally aggravating to all concerned.

BY THE CHAIRMAN - Just what do you mean by - "This condition will again change in the very near future to a producer problem.." Is that a prophecy?



A. I think it is the trend. You have to measure this in cycles. You either have a consumer market or you don't. For the past 30 years you can follow the trend, and I say it is equally as aggravating and as difficult to find markets for Canadian coal as it is to go and get coal for Canadian markets.

MR. NEATE continues brief.

METHOD OF ADMINISTRATION

Orders-in-Council

Copies of the Orders in Council affecting each coal district are mailed to known coal operators and railway officials in the districts concerned, directly after the issue of the Orders.

Application for Subvention

Coal mine operators who are direct shippers to points to which the Orders in Council apply, or sales agencies representing coal mine operators, apply directly to the Dominion Fuel Board, either by letter or by telegram, for the privilege of subvention.

A typical example will provide a clear picture of subsequent procedure:--

A mine is asked to quote by a coal dealer who has a prospect in an industrial firm; the mine wires the Fuel Board to determine whether subvention will be granted, and, if so, the acceptance number.

This telegram is confirmed by a letter from the mine which will include a declaration as to the use for which the coal is intended.

Fuel Board Procedure

On receipt of the telegram or letter the Fuel Board's procedure is as follows:

Date of First Operation:

(a) If there is any doubt regarding the date at which the company commenced operations, this information is confirmed to ensure that operations started before the limiting date provided in the Order in Council.



Information:

(b) Mining Company's name is checked against the list of operators who have provided the financial statements or other information required by the Minister (as provided in the Orders in Council). If the mine has not provided the information or a reasonable explanation of their failure to do so, a reply is dispatched stating that the Board is not able to grant acceptances to companies failing to provide the information required.

Proof of disadvantage of Canadian coal.

(c) If the company has already provided the information required, the comparative laid down costs of the Canadian coal and a competitive foreign coal are then computed. The comparison is made upon the basis of regular freight rates as scheduled by the railway companies.

(d) If the comparison shows that without consideration of any subvention the Canadian coal can be laid down at a lower cost than the competitive foreign coal, the Fuel Board gives this application a number on a "Rejection" file, and telegraphs, or writes, the mine that the destination indicated cannot be considered as one to which subventions would apply.

Acceptance:

(e) If the foreign coal is shown to have an advantage over the Canadian coal, the Fuel Board at once gives this application a number on the "Acceptance" file and notifies the mine.

Railway Notified:

(f) In the case of shipment over the western lines of the Canadian Pacific Railway a service telegram is dispatched to the traffic manager of the railroad at Winnipeg, to notify him of the acceptance and to specify the subvention rate. Other railroads do not require this advice.

Confirmation of Acceptance:

(g) On the same day the Fuel Board mails out notifications of acceptance. The notification to the mine is accompanied by a form of certification as to the use for which the coal is intended,



and this form has to be signed by the mine operator and attached to the bill of lading covering the shipment.

The railway freight traffic managers who were notified, advise their station agents at the point of shipment designated, as to the number of the acceptance granted, the rate of subvention and tonnage. This is the authority for the station agent to accept the shipment at the regular freight rates less the amount of the subvention.

(N.B. - When shipments are made before receipt of these notifications, the Fuel Board's telegram to the coal company may be taken as authority for the agent to accept the shipment).

Declaration by Consignee:

(h) If the mine contract is closed and the shipment made, the consignee will in due course forward to the Board a declaration as to the manner in which the shipment was finally disposed of and the purposes for which the coal was used. If the consignee resells to another dealer forms will be received from each dealer showing the distribution of the amounts with which he was concerned. All distribution forms are checked in Ottawa against the tonnages reported shipped by the railways. An employee of the Fuel Board, resident in Winnipeg checks these distribution statements when there is a discrepancy as to tonnage or when there is reason to doubt the statements as to the purposes for which the coal is used.

Railroad Accounts:

(k) Each month the railroads concerned bill the Dominion Fuel Board for the reductions in the freight rates for the tonnages actually shipped.

(l) These bills are checked against the acceptances granted and for correct computation of totals. When checked and agreed by the Secretary of the Board they are forwarded to the accountant of the Department of Mines as "approved for payment".

Refund:

(m) In the event that the consignee's distribution statements show that some of the shipment has eventually been used



for purposes not covered by the Order-in-Council, application for a refund of the amount of subvention concerned is made to the shipper, or to the dealer if responsibility rests there.

(n) The Fuel Board keeps an acceptance record. This provides a complete record for each acceptance and enables shipments to be checked up for overshipment, etc.

(o) In order to keep to a minimum figure, the encumbrances set up against acceptances granted, all open acceptances are checked periodically. If, in any case, the approximate tonnage authorized has been reported shipped, a form letter cancelling the acceptance is sent to the shipper and any outstanding balance of the authorized amount is thus released. If there is a considerable balance not shipped and there is any reason to think that further shipments might be made, a form letter is sent to the shipper and the acceptance closed if no advice is received within ten days.

(p) Payments on account of coal used by the railways under benefit of subvention are made on the certified accounts of the Railroads concerned, and are audited by officers of the Treasury Department.

#### ADMINISTRATION - GENERAL

As the subventions are designed to enable Canadian coals to meet the price competition of foreign coals at Central Canadian points, one of the main problems of the Board is to secure continuous information as to where the competition exists and how much it amounts to per ton. This is essential not only for the effective administration of the Orders in Council currently in force but also for the information of the Government in revising the Orders in Council in the light of changing competitive conditions in order that the assistance so provided shall accomplish its purpose at the least possible cost. The problem is complicated by the fact that foreign coals entering Canada come from many competitive fields and collieries and are priced differently depending upon quality, cost of production, accessibility to markets



and competition, and the prices change according to market demands; also by the fact that these coals move into Canada over different routes at different costs. Moreover, winter routings are in many cases different from those of the navigation season. Similarly the Canadian mines even in the same field do not produce coals at uniform costs, and each has its own method of pricing the various market sizes depending upon shipping market demands. Again the freight cost to a consuming point depends upon the location of the mine, and in the case of Nova Scotia coals upon the possession of facilities for movements by water.

The Orders in Council require Canadian mines shipping coal under assistance to furnish any information as to their operations even to opening their books for examination that may be required in connection with administration. This provision has made it possible for the Board to make each year an exhaustive study of the costs of producing coal in most of the Canadian mines, and of the various items that enter into those costs. A reconciliation for administrative purposes of the different prices quoted by the various collieries is effected in the light of precise cost data thus obtained and of comprehensive knowledge of local conditions in the coal mining industry as well as in the markets served by each of its various sections.

Such complete information on costs of the competing foreign coals cannot be obtained in the absence of access to certified colliery operating statements. However, a continuous study of the prices as published in the trade journals and those that are available in Washington with the National Bituminous Coal Commission together with a thorough knowledge of the practices of the trade with particular reference to the export business that has been built up over the period since the subventions commenced does provide a basis for arriving at fair mining prices of foreign coal to be used in determining the competition encountered by Canadian coals in central Canada. Prior to the introduction of fixed code prices under the National Bituminous Coal Commission,



the prices of coal in the fields shipping to Canada were in a state of chaos. The productive capacity of the industry was greatly overexpanded during the first Great War leading to disastrous price cutting even in the boom period ending in 1929. Part of the fields were unionized paying high wages, others were non-unionized with low wages and thus lower producing costs. With the market demand dropping sharply due to depressed industry and business and the constant intensification of an already distinctive competition, coal was being offered at almost any price that would induce sales. The application of the codes promulgated under the National Bituminous Coal Commission restored prices to a more profitable level and did to some extent eliminate price cutting. It clarified the competitive situation in Canada for the administration of the subventions.

The Dominion Fuel Board is equipped with such data and sources of information necessary to determine the true competitive position with respect to prices of the native and foreign coals entering the central Canadian market.

In addition it has been essential to maintain a close, continuous check on changing freight rates on both rail and water movements of Canadian and foreign coals to the numerous consuming points in the areas to which the Orders in Council apply in order that comparable laid down costs may be determined.

The administration of the assistance divides itself into two categories. In the first is included that of Maritime Province coals used by railways and under the Order in Council providing assistance when used in the manufacture of coke, in this case the assistance amounts to the actual laid down cost differentials as fixed by the Board for each consuming or coaling point, also that for British Columbia coals sold for ocean-going ships' stores and export where the rate is fixed by the Order in Council. In the second instance is included the shipments for general use where the rates are fixed in the Order in Council subject, with certain exceptions, to the competitive disadvantage of Canadian coal.



Large tonnages used by only a small number of consumers are involved where the assistance amounts to the laid down cost differential. The competitive situation in each case is the subject of special investigation prior to contracts being negotiated. The rate of assistance having thus been fixed, shipments are made throughout the year and interim or progress payments authorized from time to time. Final payments are made when the shipping records have been checked and the accounts audited. The assistance to British Columbia coals for ships' use and export applies to only one coal operator and presents little difficulty in administration, ample care being taken to ensure that the provisions of the Order in Council are complied with.

The bulk of the administrative work relates to the second category including assisted shipments for general use. Applications cover shipments to specified districts and vary in quantity from a single carload to possibly a quarter of a million tons or more. The relatively small assisted winter all-rail movements of Maritime coal to Quebec and movements of Alberta coal to Ontario, in the early days being under the supervision of the Board of Railway Commissioners, for the purpose of determining freight costs, were not subject to application to the Board which only arranged for payment of the assistance at the rates set by the Board of Railway Commissioners. In all other cases the Dominion Fuel Board has determined the eligibility of the coal for the assistance in strict accordance with the provisions of the Orders in Council and has recommended the necessary payments, which are audited each year by the Comptroller of the Treasury and finally by the Auditor General.

#### SUMMARY OF ASSISTED COAL MOVEMENTS BY PROVINCES

1928 - 1944

#### Summary of Orders-in-Council

A complete set of all Orders-in-Council is contained in a separate submission, but for the convenience of the Commission



a condensed summary of these Orders-in-Council is set out hereunder:

NOVA SCOTIA

The first effort on the part of Government to extend the markets for Nova Scotia coal by direct aid occurred in September 1924 when money was voted to reduce the freight charges. This Order-in-Council, P.C. 1537, was passed September 3, 1924, and expired March 31, 1925. To render this assistance effective the railroads reduced freight rates by 10 cents per ton.

The select Committee of the House of Commons studying fuel matters during 1926 recommended that the assistance be restored, this opinion being supported by the Duncan Commission of the same year. Little was done, however, although the Board of Railway Commissioners were instructed, vide Order-in-Council P.C. 226 of February 13, 1926, to ascertain the costs of transportation of coal mined in Eastern Canada and transported to the Province of Quebec.

To aid this enquiry the Government made effective on March 30, 1928, Order in Council P.C. 539, which established a test movement of coal shipments of both Nova Scotia and New Brunswick coal to the province of Quebec. Two distinct forms of assistance were authorized:

- (a) Established a temporary rate of \$3.00 per net ton from Nova Scotia and \$2.10 from New Brunswick on coal moving wholly by rail to points in the Province of Quebec during the season of the year when navigation on the St. Lawrence was not practicable.
- (b) Extended the assistance to coal shipped by water to St. Lawrence Ports and then trans-shipped by the Railways to inland points. The assistance provided was a rate of 1/5 of 1 cent per ton per mile from the port of trans-shipment with a maximum amount of 75 cents per net ton; railway coal being excluded.

The assistance was extended by Order in Council P.C. 2256 of October 2, 1930, for an additional one year as from



March 31, 1931, but it was rescinded on May 30, 1931.

Order in Council P. C. 1300 of May 30, 1931, became effective and, in general, maintained the previous assistance. All-rail movements were definitely limited to the period November 15th - April 15th in each year. The assistance was changed from a set temporary rate to  $1/7$  of 1 cent per ton with a maximum of \$2.00 per ton. Coal moving by water to St. Lawrence ports for furtherance was assisted to a greater extent. Movements into Province of Quebec received the same, i.e.  $1/5$  with a 75-cent maximum; to Ontario, however, the assistance was increased to  $1/3$  of 1 cent per ton with a \$1.50 maximum. Railway coal was included for the first time and tonnage in excess of the average consumption of 1928-29-30 were bonused at the same rate as industrial coal.

Order in Council P.C. 1048 of May 9, 1932, superseded P.C. 1300. It extended the assistance to include areas which might be reached by means other than direct rail from mines or river ports.

On all rail movements and waterborne coal moved inland by rail the assistance remained the same ( $1/7$  cent and  $1/3$  cent per ton-mile respectively). Movements by water west of Montreal received assistance of \$1.00 per ton and such coal railed inland west of Kingston received additional assistance at  $1/3$  cent per ton-mile. Railway coal was assisted to the extent of the difference in cost up to a maximum of \$2.00 per ton on the tonnage in excess of that purchased in 1931.

During July 1932 representations were made to Government by Nova Scotia coal operators who were without water shipping facilities, requesting assistance on coal moved wholly by rail from Nova Scotia to Ontario and Quebec during the full year instead of the limited period then in force. This was concurred in and Order in Council P.C. 1676 of July 23, 1932, revised Section 4 of P.C. 1048.

BY THE CHAIRMAN - It will all depend on whether we are going to have Volume II read here. This is a sort of general digest



of Volume II.

BY MR. FRAWLEY - Some months ago Mr. Neate sent me a complete file of all of the Orders in Council relating to subventions on coal. Mr. Neate says these pages 27 to 48 is a summary of that document, a summary of the Orders in Council dealing with subventions.

BY THE CHAIRMAN - What is in Volume No. 2 that is not in this? Is not Volume II a complete set?

A. This is amplified to a greater extent in Volume II.

BY MR. FRAWLEY - Volume II recites and give us the memoranda actually which passed between the Fuel Board and the Government leading up to these Orders in Council, and many memoranda of Mr. Neate's attending conferences all through Canada. Original memoranda. But these pages we are discussing now are a summary of this Volume of Orders in Council which was sent to me some months ago for working purposes, for ready reference. It will all be in the transcript.

BY THE CHAIRMAN - But it is a little out of the ordinary. We have been having everything that goes in the transcript read. For example there may be some things here on which some of the Commissioners might want to ask questions.

MR. NEATE continues brief.

In November 1932 the Railways objected to assistance applying only on that portion of coal they purchased over and above the 1931 tonnage and requested that it apply on all coal. Government concurred and Council approved of recommendation P.C. 2563 of November 22, 1932.

BY THE CHAIRMAN - Just a moment. Now in those Orders in Council in which the subvention was extended to railroads for carrying coal which they used themselves. Where were they getting that coal previously, and were they getting anything in the way of subventions to carry their coal from wherever it was?

A. No.

Q. Was that pretty well fought out? Were they really entitled to



that much? They had long distances in the first place to move their coal from water ports coming in from the United States to certain parts of Ontario and especially to certain parts of Quebec. Do you think the railways were absolutely entitled to get that as a matter of even fair play?

A. Their contention was that as American coal was less expensive to use they would much prefer to bring American coal, unless they could get assistance and thereby reduce cost to them of Nova Scotia coal. It was purely on a competitive basis.

Q. They didn't take a very broad national spirit?

A. I think the history of the railway right through was that if industry gets it we are entitled to it.

Q. Perhaps they are.

MR. NEATE continues Brief.

In April 1933 the Railways contended that the \$2.00 maximum was insufficient to meet all competition and requested \$2.50. This the Government also concurred in vide Order in Council P.C. 604 of April 4, 1933.

BY THE CHAIRMAN - In all those matters I don't suppose the competitive value of Canadian and American coals in a competitive market were considered very much, were they?

A. No. The only differential in quality was in connection with the New Brunswick coal where we took 1.10 as equal to 1 ton of American coal. We considered Nova Scotia bituminous coal on a parity with any American bituminous coal for industrial purposes.

BY COMMISSIONER MORRISON - How about Western coal?

A. That didn't participate in central Canada industrial coal except perhaps at Kapuskasing where western Canadian coals from Greenhill came in and were equally efficient with the American bituminous coal as previously used there.

MR. NEATE continues Brief

In March 1934, P.C. 415 limited the assistance payable on water shipments west of Montreal to an amount not greater than that which would have been payable had the shipment been forwarded by rail.



On May 28, 1934, P.C. 1048 and its various amendments were consolidated in P.C. 1119, no changes being made in the rates of assistance provided except that for railway coal the limit was reduced from \$2.50 to \$2.00 per ton, and Hull, P.Q. was included in the Ontario rate for rail and water shipments (1/3 cent per ton mile from port of transshipment).

Representations from Nova Scotia shippers without water facilities that they were at an unfair disadvantage in competing for business in Quebec Province led in 1935 to the amendment of April 5th (P.C. 870) under which assistance to all-rail shipments was set at the difference in laid down costs of Nova Scotia coal and imported coal.

The administration of those Orders in Council became increasingly difficult due partly to the many sources of competition and fluctuations in their price levels, and partly to the fact that all-rail shipments of Nova Scotia coal benefitting at a high rate of subvention offered increasing competition with other Nova Scotia coal shipped by water to St. Lawrence ports at no cost to Government.

On August 4, 1936, this situation was remedied with the issuance of P. C. 1862, which placed all-rail shipments to Quebec Province, exclusive of points east of the Quebec terminals and points on the Quebec and Lake St. John railway, on a subvention basis of 30 per cent of the freight rates irrespective of the competition encountered. This made it possible for all-rail shippers to obtain some increase in business in the eastern counties without undue interference with the waterborne trade of the St. Lawrence Valley.

BY COMMISSIONER MORRISON - That 30 per cent is in addition to the Maritime Freight Act?

A. In addition to the Maritime Freight Rates Act, yes.

Q. What do you mean by that?

A. If for instance a 30 percent reduction in the freight amounted to \$1.50 and a competitive situation amounted to \$1.30, they still got the 30 percent.



BY MR. FRAWLEY - That is something that arose when Mr. Lamb was giving his evidence. In other words you would give them 20 cents too much in that instance you have just given us now? Why did you do that?

A. I think it was considered closer administration to provide a flat rate reduction rather than so much per ton per mile. I think I would have to look back a little bit to find out why.

Q. Because you see the whole objective behind all of this policy was to endeavor to meet American competition.

A. Yes.

Q. And here when you have \$1.30 meeting the competition, I find it difficult to know why you give them 20 cents more money from the Federal Treasury.

A. What would you feel if we paid them 30 cents less.

Q. Perhaps then they should not take the business.

A. Generally when you watch the competition and the subvention payment on a monthly basis in these areas, there is very little difference.

Q. In the last few days I have asked you for a statement on the plus and minus position, and when we get that statement we will examine into it more closely then. When you come to the Railway coal you pay them the exact difference, and I wondered why in industry you did it in this way.

A. There was a definite reason why the policy and method of granting assistance was changed; and in some cases the flat rate reverted back to the per ton mile basis later on.

Q. I can see that it is easier to administer, but I am wondering at what cost.

MR. NEATE continues Brief.

Assistance to all-rail shipments to Ontario remained at 1/7 cent per ton mile but the limit was reduced from \$2.00 to \$1.50 per ton. At the same time assistance to waterborne coal forwarded by rail to points in Quebec (except Hull) were discontinued, but assistance to such shipments to Ontario points



and to Hull, P. Q., remained unchanged at 1/3 cent per ton (limit \$1.50). Shipments by water to Ontario points were assisted at 1/3 cent per ton-mile, based upon the rail mileage, with an increase in the limit from \$1.00 to \$1.50 per ton in order to enable this movement to displace a greater proportion of the large imports of foreign coal to the central Ontario districts. The assistance to the rail furtherance of water-borne shipments west of Kingston remained unchanged at 1/3 cent per ton-mile with a limit of \$1.00 per ton. Similarly the assistance to railway coal remained unchanged at the difference in laid down cost (limit \$2.00 per ton).

(Page 5154 follows)



Due to the general economic situation and also to the competition with American coals sold at distress prices, the sales of Nova Scotia coal in Ontario during 1938 declined by about 25%. Representations were made to Government by the producers and to enable the Nova Scotia coal to meet the increased competition, P.C. 1862 was rescinded on November 8th, 1938, and replaced by P.C. 2789. This new Order in Council made the following provisions:

Section 2. All rail movements to Quebec continued as before, i.e., assistance of 30% of the freight rate with no limit provided.

Section 3. All rail movements to Ontario assisted at 1/7 cent per ton mile as before but with the limit raised from \$1.50 to \$2.00.

Section 4. Assistance on movements to Ontario and Hull by rail from Montreal was raised to 4.5 mills per ton mile and the limit increased from \$1.50 to \$2.00.

Section 5. Movements west of Montreal by water were provided with the same assistance as in Sec. 4 above, i.e., 4.5 mills per ton mile based on the railway mileage with a maximum of \$2.00.

Section 6. Assistance under this section was also raised to 4.5 mills per ton mile with a limit of \$2.00.

Section 7. The assistance to railway coal remained as the difference in laid down cost but the limit was increased from \$2.00 to \$2.50.

On November 25, 1938, a ministerial ruling was put in force limiting the assistance payable under Section 4 to not more than the actual freight rate.

As in P.C. 1862, assistance is provided irrespective of the competition between the imported and Canadian coal except as regards the railway coal where the amount of assistance is based directly on the competition.



BY MR. FRAWLEY: When you speak about this ministerial ruling of the 25th of November, 1938, what do you mean?

A I mean this, Mr. Frawley. In granting a 30% reduction in the freight rate, in some cases it exceeded the requirement to meet the competition; in fact the assistance offered was more than the actual freight rate. No, the 4.5 mills per ton per mile and the limit increased from \$1.50 to \$2.00, in one or two cases we found that the assistance then exceeded the actual rate of freight charged, and it was drawn to the attention of the Minister and he gave a ruling that in no case could the assistance granted be greater than the total rail rate.

Q But when you speak of a "ministerial ruling", that couldn't affect the terms of an Order in Council, could it? You took that to really affect the terms of the Order in Council and you acted accordingly?

A They have been given as such in the past, over the past 20 years. I think you will find ---

BY THE CHAIRMAN: It is really an interpretation of the Order in Council.

A The Minister has the right.

BY MR. FRAWLEY: Oh, that's all right. I don't want to be technical about it.

MR. NEATE: This is not an isolated case by any means. We have had several ministerial rulings. (Continues brief):

P.C. 1166 of May 22, 1939, extended the assistance of 4.5 mills per ton per mile on rail movements ex St. Lawrence ports to Temiskaming and Gatineau, Quebec, in order to place these points on an equal footing with Hull, Quebec. At the same time the maximum available on movements forwarded by rail from points west of Kingston, was reduced from \$1.00 per ton to 50 cents per ton.

On December 5, 1939, Order in Council P.C. 3969 was issued, effecting some reductions in the rates of assistance



provided by P.C. 2789. The need for economy was urgent, but under the competitive conditions existing it was considered that the reductions would not unduly restrict the movement of Nova Scotia coal.

The assistance on all rail movements to Quebec (except Hull) remained at 30 per cent of the freight rate. All rail movements to Ontario (and Hull, Quebec) were continued at 1/7 cent per ton per mile but the maximum payable was reduced from \$2.00 per ton to \$1.50 per ton.

Assistance on rail and on water movements from St. Lawrence ports to Ontario and Hull, Temiskaming and Gatineau, Quebec, was reduced to 1/3 cent per ton per mile with a maximum of \$1.50 per ton. Similarly on movements of coal waterborne to points west of Montreal, thence railed to points west of Kingston assistance was provided at 1/3 cent per ton per mile instead of 4.5 mills, the maximum remaining at 50 cents per ton.

For railway coal assistance was continued at the difference in laid down cost (maximum \$2.50) for Ontario points but no provision was made for Quebec points. Because Order in Council P.C. 3969 and other Orders in Council of the same date were not available for administrative action until December 8th, P.C. 4311 of December 27, 1939 was passed to authorize the payment of the rates previously <sup>in</sup> effect for all acceptances issued up until noon December 8. At the same time it made provision to include at the old rates all "equivalent commitments" entered into in good faith at the old rates up to that time. This was to cover contracts closed at the old rates but which had not been covered in part or in full by acceptances at the time P.C. 3969 was issued.

P.C. 2356 was issued on June 3, 1940 to provide, where required, for increased assistance based on difference in laid down costs (maximum \$2.00 per ton) on all rail shipments to points in Quebec and Ontario. This was made advisable by the shortage of shipping (due to war) to transport the normal ton-



nage of Nova Scotia coal to Montreal terminals by water. The Order in Council was also designed to provide greater flexibility to the terms of P.C. 3969 so that rates could be adjusted either up or down where it was apparent that the rates set under P.C. 3969 did not approximate the competition. P.C. 2356 is definitely temporary in character.

Where it is enforced, the rates provided by P.C. 3969 are to be reinstated immediately competitive conditions warrant, and P.C. 3969 remains in force except when P.C. 2356 is employed.

P.C. 5463 of October 9, 1940 amends Section 7 of P.C. 3969 to provide assistance on all rail movements of railway coal to Levis and Quebec (limit \$1.50) and on movements to Montreal via Portland and Searsport, Maine (limit 75¢). This Order in Council was passed to enable the railways to supplement by all-rail movements and movements via Maine ports the limited quantities of N.S. coal that it had been possible to move via water to St. Lawrence depots under British Ministry of Shipping restrictions.

P.C. 2947 was issued on April 29, 1941 providing assistance at \$1.00 per net ton on Nova Scotia coal waterborne to any port in Quebec province in chartered boats of 3,000 gross tons deadweight capacity or over, effective from April 15, 1941 to December 31, 1941. This assistance was provided to enable waterborne N. S. coal to continue to meet U. S. competition at Quebec ports despite the great increase in charter rates due to the war. It is anticipated that the cost of this assistance will be compensated by reduced all-rail movements otherwise necessary, and by virtual elimination of assisted movements of N. S. coal to Ontario.

P.C. 9164, of November 26, 1941, extends the provisions of Orders in Council P.C. 3969 and P.C. 5463 to coal for railway use in the Province of Quebec as well as that used for industrial purposes. The previous Order in Council provided assistance only at specified localities in the Province of Quebec.



This authority provided for a water movement of Nova Scotia coal to Portland or Searsport in the State of Maine, U.S.A. and thence transshipped by rail to consuming points in the Province of Quebec. The assistance was to be the difference in the laid down cost, but not to exceed the sum of \$2.00 per net ton.

P.C. 6643 of July 28, 1942 amends and extends Order in Council P.C. 2947 which expired on December 31, 1941. The conditions which necessitated this assistance in 1941 continued to be encountered in 1942 in greater severity, and to improve the distribution of Nova Scotia coal the assistance was extended on waterborne coal to any point in the Provinces of Quebec, Prince Edward Island, New Brunswick and Nova Scotia. The amount of assistance was to be the difference in the average cost per ton in excess of the average cost of similar movements during the year 1940.

P. C. 10473 of November 17, 1942. This Order in Council provides assistance on a new movement of coal through Pointe du Chene, N.B., which will relieve the congestion on the rail movement of N. S. coal between Cape Breton Island and Truro, Nova Scotia, the movement to be by water from Cape Breton to Pointe du Chene and then railroad to points in the Province of Quebec west of and including Riviere du Loup for industrial use. The assistance would be the difference in the laid down cost up to a maximum of \$2.50 per net ton. On coal for railway use the movement ex Pointe du Chene by rail to any point in the Province of Nova Scotia, New Brunswick, Prince Edward Island or Quebec, the assistance was to be the difference in the laid down cost, with no maximum provided.

BY COMMISSIONER MORRISON: What do you mean by the difference in laid down cost in the province of Nova Scotia? Because what other coal would be competing with Nova Scotia coal?

A Well, this was to maintain prices rather than meet competition. You must remember this was in the war years and the Order in Council that previously moved Nova Scotia coal into



Quebec was eventually extended to movements into the provinces of New Brunswick, Prince Edward Island, and into the province of Nova Scotia itself. That goes back to when we were bringing it in through the ports of Maine. Have you got the Order in Council there?

BY MR. FRAWLEY: Yes.

BY THE CHAIRMAN: That was more in the nature of a subsidy than a subvention?

MR. NEATE: It was a war measure. This is the Pointe du Chene movement. The Governor in Council received representations from the Wartime Prices and Trade Board that "it is necessary to utilize available shipping to the best advantage; that it is desirable to relieve congestion on the railways between Cape Breton Island and Truro, N.S.; and for these purposes it has been found advantageous to facilitate the movement of coal mined on Cape Breton Island by water to Pointe du Chene, N.B., for furtherance by rail." Does that answer your question, Mr. Morrison?

BY COMMISSIONER McLAURIN: A wartime emergency? The whole Pointe du Chene movement was fixed by submarine activities. You can't relate it to any economic factor. We needed the coal for the war if it cost \$50 a ton.

BY MR. FRAWLEY: I think what Mr. Morrison was talking about was "the assistance was to be the difference in the laid down cost, with no maximum provided".

A That only applies to coal for railway use.

Q What competition were you meeting?

A We were meeting no competition. It was to enable the railways to maintain coal at the basic price.

Q The assistance on the railway movement was to be difference in the laid down cost. Now between what cost?

A Well, they were taking American coal as far east as Riviere du Loup.



BY COMMISSIONER MORRISON: I know, but I was talking about Nova Scotia and Prince Edward Island and New Brunswick. You were talking of paying assistance to meet the laid down cost. What laid down cost? Where does it come from? That is what I am interested in.

BY MR. FRAWLEY: "On coal for railway use the movement ex Pointe du Chene by rail to any point in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island or Quebec, the assistance was to be the difference in the laid down cost, with no maximum provided."

BY THE CHAIRMAN: Was there any of this coal returning from New Brunswick into the industrial centres of Nova Scotia?  
A I don't think so, Mr. Chairman.

BY THE CHAIRMAN: I think there was.

BY COMMISSIONER MORRISON: I have in mind that one group of operators suggested there should be a subvention within a province, the province of New Brunswick. Now your brief suggests there was a subvention within the province of Nova Scotia to meet the laid down cost.

BY MR. FRAWLEY: It is all there in section 3. Just read the section. That is the whole answer.

MR. NEATE reads Section 3 as follows: "That for coal purchased by the railways for their own use at points in the Province of Nova Scotia, New Brunswick, Prince Edward Island or Quebec, the assistance shall be the amount of difference between the laid-down cost of the said coal at Moncton, N.B., when moved via Pointe du Chene and the laid-down cost at the same point if transported all-rail from Sydney, Nova Scotia, and shall be payable to the coal mine operator or distributor." (Continues brief):

Order in Council P.C. 1683, of March 2, 1943, extends the provisions of Order in Council P.C. 9164 to include ports in the Province of Nova Scotia and also Saint John, N.B., to be railed inland to points in the Province of Quebec for



use by the railways or industry. Assistance is to be the difference in the laid down cost up to a maximum of \$2.00 per net ton.

BY COMMISSIONER MORRISON: And the laid down cost is the same story there?

MR. NEATE: The same story there. (Continues brief):

Nova Scotia production, assisted movements and cost thereof have been as follows:

<u>Calendar Year</u>	<u>Output (Net Tons)</u>	<u>Moved under Subvention (Net Tons)</u>	<u>Cost to Government</u>	<u>Cost per Net Ton</u>
1928	6,743,504	113,905	\$ 65,600.38	\$ 0.58
1929	7,056,133	304,276	205,270.16	0.67
1930	6,252,552	372,029	214,720.41	0.58
1931	4,955,563	401,597	225,137.08	0.56
1932	4,084,581	710,449	545,944.30	0.77
1933	4,557,590	1,384,268	1,280,222.84	0.92
1934	6,341,625	1,748,004	1,687,450.78	0.97
1935	5,822,075	1,588,302	1,489,412.37	0.94
1936	6,649,102	1,677,096	1,572,780.24	0.94
1937	7,256,954	1,908,821	1,785,791.70	0.94
1938	6,236,417	1,377,115	1,253,313.26	0.91
1939	7,051,276	2,420,694	2,988,403.66	1.22
1940	7,848,186	1,940,570	2,643,366.54	1.36
1941	7,387,762	2,015,829	2,188,364.52	1.09
1942	7,204,852	1,655,264	2,710,437.79	1.64
1943	6,103,085	803,892	2,310,513.26	2.87
1944	5,745,671	798,358	1,932,798.71	2.42

#### NEW BRUNSWICK

Movements of coal from New Brunswick to consuming points in the Provinces of Quebec and Ontario have not been of great magnitude. The assistance commenced in March 1928 and has continued to date.

Order in Council P.C. 539 was approved on March 30, 1928,



and provided a temporary or blanket rate of \$2.10 per ton on coal moving wholly by rail to points in the Province of Quebec during the period of closed navigation. The assistance was authorized for a period of three years, and did not apply on coal for railway use.

Order in Council P.C. 2256 of October 2, 1930, extended the provisions of P.C. 539 for a further period of one year.

Order in Council P.C. 1299, of May 30, 1931, became effective and changed the temporary rate of \$2.10 to a rate per ton per mile. The amount set was  $1\frac{1}{6}$  of one cent with a maximum of \$1.50 per ton to either Quebec or Ontario. The assistance did not apply on coal for household purposes.

On May 10, 1933, Order in Council P.C. 951 took the place of P.C. 1299. The rate of assistance remained unchanged at  $1\frac{1}{6}$  cent per ton mile (limit \$1.50 per ton), but no limitations as to use were incorporated.

On August 4, 1936, Order in Council P.C. 1861, to conform with the change made at the same time in assistance to all-rail movements of Nova Scotia coal, changed the rate of assistance to 30 per cent of the freight rate in the case of shipments to Quebec, and to the difference in laid down cost for coal for railway use. Assistance to shipments to Ontario remained unchanged at  $1\frac{1}{6}$  cent per ton mile. The limit on coal for railway use was set at \$2.00 per net ton and at \$1.50 per net ton in other cases. The necessity to prove disadvantage of New Brunswick coal was removed.

New Brunswick production, assisted movements and cost thereof have been as follows:



<u>Calendar Year</u>	<u>Output (Net Tons)</u>	<u>Moved under Subvention (Net Tons)</u>	<u>Cost to Government</u>	<u>Cost Per Net Ton</u>
1928	207,738	120	\$ 209.78	\$ 1.75
1929	218,706	231	330.12	1.43
1930	209,349	36	70.20	1.95
1931	182,181	239	162.49	.68
1932	212,695	1,195	896.13	.75
1933	312,303	1,163	980.78	.84
1934	314,750	10,196	8,609.22	.84
1935	346,024	14,325	10,544.29	.74
1936	368,618	20,889	15,314.14	.73
1937	364,714	41,083	32,362.55	.79
1938	342,238	32,305	23,455.94	.73
1939	468,421	54,165	45,663.98	.84
1940	547,064	59,224	42,385.65	.72
1941	523,344	43,783	31,226.06	.71
1942	435,203	6,627	5,202.20	.79
1943	372,873	5,268	4,292.61	.81
1944	345,123	2,111	1,623.16	.77

SASKATCHEWAN

The low grade lignites of Saskatchewan can be used to advantage for industrial power purposes in specially equipped furnaces. Assistance has been granted to the Saskatchewan coal mines by a reduction of freight rates in order to increase the consumption of this Canadian coal in the Manitoba market and curtail the importations of American coal.

The first measures of assistance were granted under Orders in Council P.C. 1256 of June 5, 1930 and P.C. 1399 of June 14, 1930. Under the first mentioned Order in Council shipments of carbonized briquettes made from Saskatchewan lignite to points in Manitoba where foreign coals had the advantage, received assistance at the rate of 1/5 cent per ton mile (limit 50 cents per ton). Under the second Order in Council similar shipments of Saskatchewan lignite received assistance



at 50 cents per net ton. Briquettes shipped under the assisted rates could be sold for domestic or industrial purposes but not for use by the railways; lignite under P.C. 1399 could be sold for industrial purposes only.

Upon the expiration of these Orders in Council on May 31, 1931, no renewal was issued for briquettes, but P.C. 1301 of May 30, 1931, provided assistance to lignite movements for industrial use to competitive areas in Manitoba and Ontario west of Sioux Lookout and Fort Frances at 1/7 cent per ton mile (limit \$1.00 per net ton). On May 30, 1933, the rate was maintained under P.C. 953, but the maximum was reduced to 40 cents per ton on Manitoba movements. Sioux Lookout and Fort Frances were included in the easterly limit.

On May 28, 1934, P.C. 1120 was approved under which the rate of assistance was changed to 15 cents per ton on Manitoba movements with a \$1.00 rate on Ontario movements. No assistance was provided for coal for railway use.

Under Order in Council P.C. 869 of April 5, 1935, a subvention of 35 cents per net ton was provided on movements for industrial use to Manitoba competitive points and \$1.00 per net ton on movements to Ontario. No easterly limit was set.

By Ministerial ruling of April 8, 1935, the assistance granted was reduced in the case of mines operating by strip-ping methods to 15 cents per net ton to Manitoba and a pro rata amount to Ontario. This reduction was based on the comparatively smaller amount of employment available in the strip mines as against the underground mines.

The limitation noted in the previous paragraph was dropped with the issue, on April 9, 1936, of Order in Council P.C. 895, which provided assistance to shipments of Saskatchewan lignite for industrial use to points in the same areas in Manitoba as heretofore. The rate of assistance was set at 10 per cent of the freight rate in force. No assistance was provided on movements of lignite for domestic or railway use or



to points in Ontario.

BY COMMISSIONER MORRISON: How much of that coal is actually used by the railways?

MR. NEATE: Very little, except for station heating, stationary boilers. (Continues brief):

The effect of these subventions has been large. The amount of Saskatchewan coal moved into Manitoba in 1937 was 120% greater than in 1930, whereas the imports of American bituminous coal have dropped until they are, in 1937, only about one-quarter of the amount imported in 1930. During the same period, the amount of coal moving into Manitoba from Alberta and British Columbia has remained substantially constant, so that the displacement of the American coal has evidently been largely accomplished by these Saskatchewan lignites.

P.C. 3972 was passed on December 5, 1939. Owing to the competitive situation in Manitoba and with withdrawal at the same time, of assistance to Alberta and Crow's Nest, British Columbia coal to Manitoba it was considered that assistance was no longer necessary for Saskatchewan coal in Manitoba markets. However, in order to enable Western coals to satisfy the market between the Head of the Lakes and the Manitoba boundary, provision was made for assistance at 30% of the freight rate to points in Ontario (with a maximum of \$1.00 per ton) with no limitation as to use. Coal for railway use east of and including Garrick (Manitoba), Decimal and Eagle River receives assistance at the same rate (30% of the freight rate, maximum \$1.00).

BY MR. FRAWLEY: What is the distance from the Estevan field to Winnipeg?

A About 300 miles.

Q Bit it couldn't have dominated the Winnipeg industrial market to the extent which it has now against the American bituminous without the assistance of subventions?

A It needed a little encouragement to start it off.



BY COMMISSIONER McLAURIN: It needed assistance to compete with Alberta? You gave Alberta assistance, and then you had to help out Saskatchewan so it would be on a parity with Alberta. You couldn't give Alberta assistance and not give it to Saskatchewan?

BY MR. FRAWLEY: No, because you would be destroying the geographical advantage which Saskatchewan should have. But what I am talking about is that American bituminous could come into the Manitoba market from the great distance it had to be hauled and displace Saskatchewan lignite mined 300 miles away?

A That is a fact, and you have got to remember also that it takes two tons of lignite to equal one ton of bituminous.

Q With proper combustion methods it does a very good job?

A It does, and if the competitive factor remains it can probably compete without assistance.

Q You would think it should be able to hold that market against the American bituminous?

A Unless the bottom falls out of the American market it can.

(Continues brief):

Saskatchewan production, assisted movements and costs thereof have been as follows:

<u>Calendar Year</u>	<u>Output (Net tons)</u>	<u>Moved under Subvention (Net tons)</u>	<u>Cost to Government</u>	<u>Cost per Net ton</u>
1930	579,424	19,604	\$ 9,803	\$ .50
1931	662,836	60,477	27,061	.45
1932	887,139	100,479	40,698	.40
1933	927,649	130,966	54,085	.41
1934	909,288	144,228	42,128	.29
1935	921,785	138,584	32,252	.23
1936	1,020,792	146,895	38,136	.26
1937	1,049,348	163,970	38,032	.23
1938	1,022,166	145,615	33,760	.23
1939	960,000	159,340	37,592	.24



<u>Calendar Year</u>	<u>Output (Net tons)</u>	<u>Moved under Subvention (Net tons)</u>	<u>Cost to Government</u>	<u>Cost per Net Ton</u>
1940	1,097,517	41,256	\$ 25,949	\$ .63
1941	1,322,763	22,677	21,840	.96
1942	1,301,116	13,649	13,144	.96
1943	1,665,972	10,963	10,535	.96
1944	1,372,766	16,027	15,377	.96

ALBERTA

Assistance granted to the Alberta coal industry has two main divisions:

- (A) Movements of Alberta domestic coals to the Province of Ontario at points eastward of the Head of Lakes, and
- (B) Movements of Alberta coal to the Manitoba area east of and including Winnipeg and to certain portions of western Ontario.

In this last section, coal from the Crowsnest Pass district of British Columbia is also included.

Section A

Arrangements have been made annually since 1923 for experimental shipments of Alberta coal to Ontario, but for various reasons the tonnages shipped prior to 1928 were not large.

In March, 1928, there was considerable public demand throughout the provinces of Alberta and Ontario for the establishment of an interprovincial coal movement.

At that time the assistance was requested only during the period of the year when surplus railway cars were available for the movement.

The Government authorized a test movement, vide Order in Council P.C. 439 of March 16, 1928, for not less than three months in each year, the movement to extend over a period of three years at a temporary rate of \$6.75 per net ton. There was no limitation in this or subsequent orders as to the purpose for which the coal could be sold.



At the expiration of the three year period this movement was again extended at the same rate of assistance for an additional period of one year, vide Order in Council P.C. 1286 of June 5, 1930, and a further period of one year by Order in Council P.C. 302 of February 9, 1932.

On April 24, 1933, the Government was of the opinion they had obtained sufficient information, which made it expedient to substitute Order in Council P.C. 740 in lieu of the one above mentioned, and then in force. It was considered desirable to encourage, in so far as economically possible, the development of a market in the Province of Ontario for Alberta coal. P.C. 740, therefore, was made effective authorizing assistance by reducing the existing rail rate by \$2.50 per net ton when same amounted to \$8.00 or in excess thereof. This authorization is still in effect as at January 31, 1939, the railroads having co-operated each year by setting a flat \$8.00 rate to all points in Ontario to which the regular tariff is \$8.00 or over.

Administration of Order in Council P.C. 840 was carried out originally by payment direct to the railways of the assistance provided but from June 1, 1938, it was laid down that movements under this Order should be applied for by the shippers and covered by acceptances issued by the Fuel Board office covering the specific movements as had been the usual practice with most of the other Orders in Council. This has given the Board a much better supervision over the movements and led to an increased control.

Representations were made to Government that it was unfair to restrict this assistance to Alberta coals only. Particularly since there was some movement of bituminous steam coals from the Crowsnest district of Alberta under this Order, and since the Crowsnest district of British Columbia was, in reality, part of the same area as the Alberta district as was recognized in P.C. 894, on January 4, 1939, therefore, Order in Council P.C. 3286 was promulgated amending Order in Council P.C. 740



by extending the area covered to include the Crowsnest Pass district of British Columbia.

Order in Council P.C. 7588 of October 1, 1941, was a consolidation of the previous Orders in Council with a view to facilitating the administration. The terms of assistance were more clearly defined, and provided for:

On movements of Alberta and Crowsnest Pass coal to Ontario, other than for railway use, a 25% reduction from the tariff rate in effect where the rate was \$8.00 or less.

When the tariff rate was in excess of \$8.00, a flat rate subvention of \$2.50 was authorized.

On coal purchased by the railways for their own use, a 25% reduction from the regular tariff rate was provided, with a maximum of \$2.00 per net ton.

Order in Council P.C. 9794, of December 18, 1941, slightly amended the provisions of Order in Council P.C. 7588, but the principle remained the same, and a further Order in Council, P.C. 4740, of July 5, 1942, again reverted the terms to the original Order in Council P.C. 7588.

BY MR. FR. WLEY: Just as a matter of curiosity, we were asking

Mr. Jefferson the other day, Commissioner Morrison was, whether or not if someone offered coal for shipment to Ontario and the operator could not qualify because say of the recency of his operation, his could could not qualify to obtain the subvention but nevertheless he wanted the coal shipped, what freight rate would he pay?

A Depending on the area.

Q From Drumheller to Toronto?

A \$12.70.

Q In other words, you agree that the \$8.00 rate does not apply except where it comes within the terms of the Order in Council?

A That's right.

Q To a very great extent then it was a rate that was established



in very, very close co-operation with the passing of the Order in Council?

A They hinge; they are integrated.

Q The tariff freight rate and the subvention?

A Yes. (Continues brief):

Alberta to Ontario movements and cost thereof have been as follows:

<u>Calendar Year</u>	<u>Output (Net tons)</u>	<u>Moved under Subvention (Net Tons)</u>	<u>Cost to Government</u>	<u>Cost to Government Per Net Ton</u>
1928	7,336,330	32,101	\$191,323.57	\$ 5.96
1929	7,150,693	37,115	213,136.73	5.74
1930	5,755,528	33,049	188,008.81	5.69
1931	4,564,016	23,483	127,565.55	5.43
1932	4,870,648	19,116	97,340.87	5.09
1933	4,718,788	30,531	76,326.11	2.50
1934	4,753,810	54,868	137,172.22	2.50
1935	5,462,894	63,802	159,506.81	2.50
1936	5,696,960	65,229	163,075.77	2.50
1937	5,562,839	56,277	138,195.80	2.50
1938	5,251,233	64,056	160,144.80	2.50
1939	5,519,208	92,207	230,523.66	2.50
1940	6,203,839	154,737	386,850.13	2.50
1941	6,969,962	272,643	681,622.04	2.50
1942	7,754,053	270,100	675,268.42	2.50
1943	7,676,726	110	273.93	2.50
1944	7,428,708	84	210.85	2.50

#### Section B:

The assistance provided under this second part was on coal used for industrial purposes and for railway use in certain defined areas in Manitoba and portions of western Ontario. No assistance was authorized on coal used for domestic purposes as it was contended that this class of coal was not in competition with foreign coals.



MR. NEATE: Mr. Chairman, I would like to say that in referring to western Ontario many people refer to western Ontario as that section between London and Windsor. The geographical situation of this western Ontario is that portion of Ontario up at the head of the lakes.

BY MR. FRAWLEY: If you called it north-western Ontario wouldn't that be all right?

BY COMMISSIONER McLAURIN: West of the head of the lakes?

MR. NEATE: Yes. (Continues brief):

Early in 1930 representations were made to the Government that considerable foreign coal was being used in the Province of Manitoba and that portion of Ontario west of the Head of the Lakes. It was requested that an interprovincial coal movement be established to enable coal from Western Canada to compete with foreign coals to a greater extent in this area. The Minister then recommended that an assisted movement be authorized and on June 14, 1930, Order in Council P.C. 1400 was promulgated authorizing a temporary rate of 1/8 of one cent per ton per mile on coal movements from the Crowsnest Pass area of British Columbia and the Province of Alberta to consuming points in the Province of Manitoba where Canadian coal was at a disadvantage; this assistance, however, did not take into consideration coal for railway or domestic use.

BY COMMISSIONER MORRISON: How much coal was moved? Have you any idea, Mr. Neate?

MR. NEATE: In that year?

BY COMMISSIONER MORRISON: Yes.

MR. NEATE: 55,000 tons at \$1.09 a ton. (Continues brief):

P.C. 1917, of August 6, 1930, provided similar assistance for Alberta briquettes from June 1, 1930, until its expiration on May 31, 1931.

On May 30, 1931, P.C. 1400 was cancelled and Order in Council P.C. 1303 was substituted. This latter Order in Council extended the area into that portion of the Province of Ontario



lying west of Sioux Lookout and Fort Frances. The assistance was changed to 1/7 of 1 cent per ton per mile with a maximum of \$1.50 per ton for the Province of Manitoba and in the Ontario area it was authorized at a rate of 1/3 of 1 cent per ton with a maximum of \$2.00.

Railway coal was also included for the first time, subject to quantity restrictions.

This Order in Council was changed in April, 1932. Due to certain discriminatory geographical alignments the \$1.50 maximum to Manitoba was reduced to \$1.20 per net ton; vide P.C. 827, April 15, 1932.

Order in Council P.C. 952, of May 30, 1933, superseded the one immediately above mentioned, same rates and conditions being continued (except that the easterly limit was extended to include Fort Frances and Sioux Lookout) until May 28, 1934, when P.C. 1121 became effective. This Order in Council reduced the assistance to the Province of Manitoba to 1/12 of 1 cent per ton per mile with a maximum of 70 cents per net ton. To Ontario the rate was reduced to 1/5 of 1 cent per net ton with the same maximum, i.e., \$2.00. Railway coal quantity restrictions were lifted and geographical restrictions imposed instead. These geographical restrictions were again changed by Order in Council P.C. 871 of April 5, 1935.

On April 9, 1936, Order in Council P.C. 894 rescinded P.C. 1121 and amendments, changing the basis of assistance in the case of Manitoba to 10 per cent of the freight rate and in the case of Ontario shipments to 30 per cent of the freight rate, with a limit of \$2.00 per ton in the latter case. Railway coal received assistance at 30 per cent of the tariff freight rate for points in Manitoba and Ontario east of Garrick, Decimel and Eagle River, with a limit of \$2.00 per ton.

On December 5, 1939, Order in Council P.C. 3970 was issued rescinding P.C. 894. No provision was made for continuation of assistance to movements to Manitoba for industrial use, but



assistance was continued at 3-% of the freight rate (limit \$2.00) to Ontario and the restriction limiting the assistance to coal for industrial use was removed in order to enable Canadian coal to compete with United States coal in the area from Head of Lakes to the Manitoba boundary. The assistance of 30% of the tariff freight rate (maximum \$2.00) for railway coal to Garrick, Decimal and Eagle River to the east was continued unchanged.

Order in Council P.C. 7588, of October 1, 1941, rescinded P.C. 3970, and consolidated the various orders in council providing assistance on the movement to Ontario. The terms of the Order in Council are set out under Section A above.

The movements and expenditures under the various orders in council providing assistance to Alberta and Crowsnest Pass, B.C. coals for Manitoba and Western Ontario have been as follows:

Calendar Year	Moved under Subvention (Net Tons)	Cost to Government	Cost Per Net Ton
1930	55,474	\$ 60,298.84	\$ 1.09
1931	180,990	212,539.31	1.17
1932	218,668	273,574.36	1.25
1933	229,204	288,263.92	1.26
1934	268,397	316,151.45	1.18
1935	274,971	299,411.25	1.09
1936	298,602	307,104.93	1.03
1937	268,544	285,556.08	1.06
1938	258,718	257,890.81	1.00
1939	436,092	579,132.24	1.33
1940	585,276	1,033,864.51	1.77
1941	885,335	1,492,150.55	1.72
1942	609,183	909,134.25	1.49
1943	116,684	102,709.35	.88
1944	62,831	64,483.85	1.03



BRITISH COLUMBIA

The assistance extended to the coal industry of coastal British Columbia is divided into two different forms:

- (a) On coal sold for ships' stores or for ships' bunkers, and
- (b) On coal exported to countries other than the United States.

On May 30, 1931, Order in Council P.C. 1302 authorized assistance at the rate of 25 cents per net ton on coal for ships' stores or sold for export, with a limit of \$50,000 in any one year.

This authority was amended on October 27, 1931, under P.C. 2699, whereby the assistance was increased to 50 cents per gross ton on coal for ships' stores and \$1.00 per gross ton on coal sold for export, except to the U.S.A. The total amount of assistance made available per annum was increased to \$100,000.

On May 28, 1934, under Order in Council P.C. 1122, the assistance was again changed to provide assistance amounting to 50 cents per net ton on coal sold for ships' stores up to 60,000 tons per annum. In excess of that amount the assistance was increased to \$1.00 per ton. The assistance on coal sold for export remained the same, i.e., \$1.00 per net ton.

The amount of coal sold for export and ships' stores continued to fall to a low point in 1933, but it is reasonable to assume that without the assistance it would have fallen much lower and that the mines would possibly have been forced to shut down. This, at least, is the feeling of the operators concerned. The assistance has helped the unemployment situation by the addition of from 36,000 man days of work in 1931 to 112,669 man days in 1937. In 1938, the movement and assistance required fell off as may be noted in the tabulation, due to a depression in general business and traffic conditions, but the assistance provided did add 86,189 man days of available work for the coal miners of Vancouver Island.



On December 5, 1939, Order in Council P.C. 3971 rescinded P.C. 1122 of May 28, 1934, and provided for a payment of 75 cents per ton, payable to the coal producers or distributors, for all coal sold for ships' stores and bunker use in ocean going vessels.

Coal exported to countries other than the United States for general consumption continued to receive the assistance of \$1.00 per ton.

In 1939 it will be noted that the movement and assistance increased very considerably (approximately 60% and 70% respectively).

The amount of British Columbia coal sold under these various Orders in Council and the amounts paid have been as follows (exclusive of movements from the Crowsnest Pass under P.C. 3286):

<u>Calendar Year</u>	<u>Output (Net tons) Island District</u>	<u>Sold under Subvention (Net tons)</u>	<u>Cost to Government</u>	<u>Cost per Net Ton</u>
1931	930,775	66,130	\$ 21,058.70	\$ .32
1932	838,887	99,340	44,652.13	.45
1933	685,897	79,584	35,528.62	.45
1934	642,611	98,419	46,590.63	.47
1935	704,799	102,493	67,261.46	.66
1936	792,028	143,324	113,324.14	.79
1937	911,880	199,650	169,650.21	.85
1938	741,559	152,727	122,726.79	.80
1939	833,671	241,083	211,083.28	.88
1940	821,051	227,227	183,173.57	.81
1941	725,623	98,701	74,025.73	.75
1942	826,802	138,734	104,050.71	.75
1943	818,270	44,309	33,232.02	.75
1944	774,477	34,940	26,204.62	.75

BY COMMISSIONER MORRISON: And that has all been paid to the one operator?

MR. NEATE: That is all to one operator, Mr. Morrison. .



TONNAGE AND COST OF CANADIAN COAL MOVED UNDER ASSISTED RATES  
BY CALENDAR YEARS

<u>Nova Scotia</u>			<u>New Brunswick</u>		
	<u>Tons</u>	<u>Amount</u>		<u>Tons</u>	<u>Amount</u>
1928	113,905	\$ 65,600.38	120	\$ 209.78	
1929	304,276	205,270.16	231	330.12	
1930	372,029	214,720.41	36	70.20	
1931	401,597	225,137.08	239	162.49	
1932	710,449	545,944.30	1,195	896.13	
1933	1,384,268	1,280,222.84	1,163	980.78	
1934	1,748,004	1,687,450.78	10,196	8,609.22	
1935	1,588,302	1,489,412.37	14,325	10,544.29	
1936	1,677,096	1,572,780.24	20,889	15,314.14	
1937	1,908,821	1,785,791.70	41,083	32,362.55	
1938	1,377,115	1,253,313.26	32,305	23,455.94	
1939	2,420,694	2,988,403.66	54,165	45,663.98	
1940	1,940,571	2,643,366.54	59,224	42,385.65	
1941	2,015,829	2,188,364.52	43,783	31,226.06	
1942	1,655,264	2,710,437.79	6,627	5,202.20	
1943	803,892	2,310,513.26	5,268	4,292.61	
1944	798,358	1,932,798.71	2,111	1,623.16	
	21,220,370	\$25,099,528.00	292,960	\$223,329.30	

<u>Alberta &amp; B.C. Crowsnest</u>			<u>Alberta - Ontario</u>		
	<u>Tons</u>	<u>Amount</u>		<u>Tons</u>	<u>Amount</u>
1928	-	-	32,101	\$ 191,323.57	
1929	-	-	37,115	213,136.73	
1930	55,474	\$ 60,298.84	33,049	188,008.81	
1931	180,990	212,539.31	23,483	127,565.55	
1932	218,668	273,574.36	19,116	97,340.87	
1933	229,204	288,263.92	30,531	76,326.11	
1934	268,397	316,151.45	54,868	137,172.22	
1935	274,971	299,411.25	63,802	159,506.81	
1936	298,602	307,104.93	65,229	163,075.77	
1937	268,544	285,556.08	55,277	138,195.80	
1938	258,718	257,890.81	64,056	160,144.80	
1939	436,092	579,132.24	92,207	230,523.66	
1940	585,276	1,033,864.51	154,737	386,850.13	
1941	865,335	1,492,150.55	272,643	681,622.04	
1942	609,183	909,134.25	270,100	675,268.42	
1943	116,684	102,709.35	110	273.93	
1944	62,831	64,483.85	84	210.85	
	4,728,969	\$ 6,482,265.70	1,268,288	\$3,625,998.21	



TONNAGE AND COST OF CANADIAN COAL MOVED UNDER ASSISTED RATES  
BY CALENDAR YEARS (Cont'd)

<u>Alberta -</u>		<u>Saskatchewan</u>	
<u>British Columbia</u>			
<u>Tons</u>	<u>Amount</u>	<u>Tons</u>	<u>Amount</u>
1928	-	-	-
1929	-	-	-
1930	-	-	-
1931	-	19,604	\$ 9,802.82
1932	-	60,477	27,060.87
1933	-	100,479	40,698.22
1934	-	130,966	54,085.12
1935	-	144,228	42,128.51
1936	-	138,584	32,251.99
1937	-	146,894	38,135.52
1938	-	163,970	38,031.88
1939	-	145,615	33,759.96
1940	-	159,340	37,592.44
1941	-	41,256	25,949.43
1942	4,835	22,677	21,840.05
1943	110,880	13,649	13,144.46
1944	116,818	10,963	10,535.17
		16,027	15,376.91
	232,533	1,314,729	\$ 440,393.35
	\$ 151,152.55		

<u>B.C. Bunker &amp; Export</u>		<u>C a n a d a</u>		<u>Average</u>
<u>Tons</u>	<u>Amount</u>	<u>Tons</u>	<u>Amount</u>	
1928	-	146,126	257,133.73	\$ 1.76
1929	-	341,622	418,737.01	1.23
1930	-	480,192	472,901.08	.98
1931	66,130	732,916	613,524.00	.84
1932	99,339	1,149,247	1,003,106.01	.87
1933	79,584	1,855,716	1,735,407.39	.94
1934	98,419	2,324,112	2,238,102.81	.96
1935	102,493	2,182,477	2,058,388.17	.94
1936	143,324	2,352,034	2,209,734.74	.94
1937	199,650	2,637,345	2,449,588.22	.93
1938	152,727	2,030,536	1,851,291.56	.91
1939	241,083	3,403,581	4,092,399.26	1.20
1940	227,227	3,008,290	4,315,589.83	1.43
1941	98,701	3,318,968	4,489,229.05	1.35
1942	138,734	2,698,391	4,420,380.37	1.64
1943	44,309	1,091,887	2,533,084.18	2.32
1944	34,940	1,031,069	2,116,632.41	2.05
	1,726,660	30,784,509	\$37,275,229.82	\$1.21
	\$1,252,562.71			



DISTRIBUTION OF SUBVENTION PAYMENTS ON COAL  
MOVED DURING CALENDAR YEAR 1943

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Canadian National Railways	\$ 491,279.00
	Dominion Coal Company, Ltd.	1,656,428.29
	Maritime Coal Ry. & Power Co. Ltd.	108.70
	Sydney & Louisburg Railway	164,378.39
		<u>\$2,312,194.38</u>
<u>New Brunswick</u>	Canadian Pacific Railway Co.	4,328.57
<u>Alta. &amp; B.C.</u> (Crow's Nest Industrial & Railway use)	Canadian National Railways	5,814.37
	Canadian Pacific Ry. Co.	79,021.44
	Crow's Nest Pass Coal Co. Ltd.	18,590.00
		<u>\$103,425.81</u>
<u>Alta.- Ontario</u> (\$2.50 per ton subvention)	Canadian National Railways	46.10
	Canadian Pacific Railway Co.	111.88
		<u>\$ 157.98</u>
<u>Alta. to British Columbia</u>	Canadian National Railways	\$ 30,974.29
	Canadian Pacific Ry. Co.	41,128.39
		<u>\$ 72,102.68</u>
<u>Saskatchewan</u>	Canadian National Railways	10,106.52
	Canadian Pacific Ry. Co.	428.65
		<u>\$ 10,535.17</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	32,851.02
	Crow's Nest Pass Coal Co. Ltd.	381.00
		<u>\$ 33,232.02</u>

SUMMARY

Canadian Collieries (Dunsmuir) Ltd.	\$ 32,851.02
Canadian National Railways	538,220.28
Canadian Pacific Railway Co.	125,018.93
Crow's Nest Pass Coal Co. Ltd.	18,971.00
Dominion Coal Co. Ltd.	1,656,428.29
Maritime Coal Ry. & Power Co. Ltd.	108.70
Sydney & Louisburg Railway	164,378.39
	<u>\$2,535,976.61</u>

Note: No refunds deducted

Office of the Coal Controller  
February 5, 1943.



DISTRIBUTION OF SUBVENTION PAYMENTS ON COAL  
MOVED DURING CALENDAR YEAR 1942

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Canadian National Railways	\$ 404,632.46
	Dominion Coal Company Ltd.	2,126,859.27
	Maritime Coal, Ry. & Power Co. Ltd.	4,247.74
	Sydney & Louisburg Ry.	178,880.97
		<u>\$2,714,620.44</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 278.73
	Canadian Pacific Ry. Co.	4,934.82
		<u>\$ 5,213.55</u>
<u>Alta. &amp; B.C.</u> (Crowsnest) Industrial & Railway use)	Canadian National Railways	\$ 198,305.80
	Canadian Pacific Ry. Co.	689,764.04
	Crow's Nest Pass Coal Co. Ltd.	12,242.64
	Mountain Park Coals Ltd.	8,854.26
		<u>\$ 909,166.74</u>
<u>Alta. - Ont.</u> (\$2.50 per ton subvention)	Canadian National Railways	\$ 322,901.45
	Canadian Pacific Ry. Co.	353,787.07
		<u>\$ 676,688.52</u>
<u>Alta. to B. C.</u>	Canadian National Railways	\$ 1,038.08
	Canadian Pacific Ry. Co.	2,104.46
		<u>\$ 3,142.54</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 12,611.09
	Canadian Pacific Ry. Co.	577.62
		<u>\$ 13,188.71</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	\$ 103,950.96
	Crow's Nest Pass Coal Co. Ltd.	99.75
		<u>\$ 104,050.71</u>

SUMMARY

Canadian Collieries (Dunsmuir) Ltd.	\$ 103,950.96
Canadian National Railways	939,767.61
Canadian Pacific Ry. Co.	1,051,168.01
Crow's Nest Pass Coal Co. Ltd.	12,342.39
Dominion Coal Co. Ltd.	2,126,859.27
Maritime Coal Ry. & Power Co. Ltd.	4,247.74
Mountain Park Coals Ltd.	8,854.26
Sydney and Louisburg Railway	178,880.97
	<u>\$4,426,071.21</u>

Note: No refunds deducted.



DISTRIBUTION OF SUBVENTION PAYMENTS ON COAL  
MOVED DURING CALENDAR YEAR 1941

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Canadian National Railways	\$ 291,949.72
	Canadian Pacific Ry. Co.	18,259.90
	Cumberland Railway & Coal	2,872.50
	Dominion Coal Co. Ltd.	1,604,348.87
	Maritime Coal Ry. & Power Co. Ltd.	3,379.71
	Sydney & Louisburg Railway	269,421.53
		<u>\$2,190,232.23</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 3,206.35
	Canadian Pacific Ry. Co.	28,086.77
		<u>\$ 31,293.12</u>
<u>Alta. &amp; B.C.</u> (Crowsnest)	Canadian National Railways	\$ 397,202.78
	Canadian Pacific Ry. Co.	1,068,975.15
	Crow's Nest Pass Coal Co. Ltd.	13,147.47
	Mountain Park Coals Limited	13,201.29
		<u>\$1,492,526.69</u>
<u>Alta.-Ont.</u>	Canadian National Railways	\$ 292,199.08
	Canadian Pacific Ry. Co.	389,536.35
		<u>\$ 681,735.43</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 21,122.19
	Canadian Pacific Ry. Co.	717.86
		<u>\$ 21,840.05</u>
<u>B.C. Bunker &amp; Export</u>	Canadian Collieries (Dunsmuir) Ltd.	\$ 74,025.83

SUMMARY

Canadian Collieries (Dunsmuir) Ltd.	\$ 74,025.83
Canadian National Railways	1,005,680.12
Canadian Pacific Railway Co.	1,505,576.03
Crow's Nest Pass Coal Co. Ltd.	13,147.47
Cumberland Railway & Coal Co.	2,872.50
Dominion Coal Co. Ltd.	1,604,348.87
Maritime Coal Ry. & Power Co. Ltd.	3,379.71
Mountain Park Coals Limited	13,201.29
Sydney & Louisburg Ry.	269,421.53
	<u>\$4,491,653.35</u>

Note: No refunds deducted



DISTRIBUTION OF SUBVENTION PAYMENTS ON COAL  
MOVED DURING CALENDAR YEAR 1940

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Canadian Import Company	\$ 37,863.53
	Canadian National Railways	923,694.19
	Canadian Pacific	168,388.49
	Cumberland Railway & Coal Co.	14,492.16
	Dominion Coal Co. Ltd.,	830,030.39
	Essex Terminal Railway	356.08
	London & Port Stanley Ry.	124.01
	Maritime Coal Ry. & Power Co. Ltd.	5,564.84
	Sydney & Louisburg Railway	669,265.87
		<u>\$2,649,779.56</u>
<u>New Brunswick</u>	Canadian National Railways	6,347.08
	Canadian Pacific Ry. Co.	36,129.93
		<u>\$ 42,477.01</u>
<u>Alta. &amp; B.C.</u> (Crowsnest)	Canadian National Railways	\$ 419,742.95
	Canadian Pacific Ry. Co.	583,385.46
	Crow's Nest Pass Coal Co. Ltd.	14,111.26
	Morrissey Fernie & Michel Ry.	420.18
	Mountain Park Coals Ltd.	17,375.62
		<u>\$1,035,035.47</u>
<u>Alta. - Ont.</u>	Canadian National Railways	\$ 172,319.62
	Canadian Pacific Ry. Co.	214,734.88
		<u>\$ 387,054.50</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 23,484.84
	Canadian Pacific Ry. Co.	2,747.75
		<u>\$ 26,232.59</u>
<u>B.C. Bunker &amp; Export</u>	Canadian Collieries (Dunsmuir) Ltd.	\$ 183,173.57

SUMMARY

Canadian Collieries (Dunsmuir) Ltd.	\$ 183,173.57
Canadian Import Company	37,863.53
Canadian National Railways	1,545,588.68
Canadian Pacific Railway Co.	1,005,386.51
Crow's Nest Pass Coal Co. Ltd.	14,111.26
Cumberland Ry. & Coal Co.	14,492.16
Dominion Coal Co. Ltd.	830,030.39
Essex Terminal Railway	356.08
London & Port Stanley Ry.	124.01
Maritime Coal Ry. & Power Co. Ltd.	5,564.84
Morrissey Fernie & Michel Railway	420.18
Mountain Park Coals Ltd.	17,375.62
Sydney & Louisburg Ry.	669,265.87
	<u>\$4,323,752.70</u>

Note: No refunds deducted



DISTRIBUTION OF SUBVENTION PAYMENTS  
DURING CALENDAR YEAR 1939

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Acadia Coal Company, Limited	\$ 34,624.37
	Algoma Central & Hudson Bay Rly.	2,512.15
	Canadian Coal Limited	13,580.00
	Canadian Import Company	21,083.98
	Canadian National Railways	351,004.02
	Canadian Pacific Railway	382,544.36
	Cumberland Railway & Coal	37,354.41
	Dominion Coal Co. Ltd.	1,949,937.04
	Essex Terminal Railway	987.83
	London & Port Stanley Ry.	144.03
	Maritime Coal Ry. & Power Co. Ltd.	6,540.28
	Sydney & Louisburg Ry.	110,850.01
		<u>\$2,911,162.48</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 15,990.87
	Canadian Pacific Railway	29,744.92
		<u>\$ 45,735.79</u>
<u>Alta. &amp; B.C.</u> (Crowsnest)	Canadian National Railways	\$ 171,803.74
	Canadian Pacific Railways	401,044.56
	Morrissey Fernie & Michel Ry.	8,490.12
	Northern Alberta Railway	78.97
		<u>\$ 581,417.39</u>
<u>Alta. to Ont.</u>	Canadian National Railways	\$ 112,268.34
	Canadian Pacific Railway	118,505.70
		<u>\$ 230,774.04</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 15,408.26
	Canadian Pacific Railway	22,925.81
		<u>\$ 38,334.07</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	\$ 211,083.28

SUMMARY

Acadia Coal Co. Ltd.	\$ 34,624.37
Algoma Central & Hudson Bay Ry.	2,512.15
Canada Coal Ltd.	13,580.00
Canadian Collieries (Dunsmuir) Ltd.	211,083.28
Canadian Import Company	21,083.98
Canadian National Railways	666,475.23
Canadian Pacific Railways	954,765.35
Cumberland Railway & Coal Co. Ltd.	37,354.41
Dominion Coal Co. Ltd.	1,949,937.04
Essex Terminal Railways	987.83
London & Port Stanley Railway	144.03
Maritime Coal Ry. & Power Co. Ltd.	6,540.28
Morrissey Fernie & Michel Ry.	8,490.12
Northern Alberta Railway	78.97
Sydney & Louisburg Railway	110,850.01
	<u>\$4,018,507.05</u>

Note: Refunds not deducted



DISTRIBUTION OF SUBVENTION PAYMENTS  
DURING CALENDAR YEAR 1938  
(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Acadia Coal Co. Ltd.	\$ 12,555.72
	Canadian Import Company	16,660.77
	Canadian National Railways	281,705.65
	Canadian Pacific Railway	280,075.09
	Cumberland Ry. & Coal Co. Ltd.	5,339.00
	Dominion Coal Co. Ltd.	438,877.33
	Essex Terminal Railway	324.01
	Maritime Coal Ry. & Power Co. Ltd.	1,397.55
	Sydney & Louisburg Railway	219,161.38
		<u>\$1,256,096.50</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 3,019.30
	Canadian Pacific Railway	20,436.64
		<u>\$ 23,455.94</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 13,603.81
	Canadian Pacific Railway	21,195.14
		<u>\$ 34,798.95</u>
<u>Alta. &amp; B.C.</u> (Crowsnest)	Canadian National Railways	\$ 40,751.08
	Canadian Pacific Railway	210,168.83
	Morrissey Fernie & Michel Ry.	8,591.34
	Northern Alberta Railways	78.66
		<u>\$ 259,589.91</u>
<u>Alta. to Ont.</u>	Canadian National Railways	\$ 105,230.49
	Canadian Pacific Railway	55,931.70
		<u>\$ 161,162.19</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	<u>\$ 122,726.79</u>

SUMMARY

Acadia Coal Co. Ltd.	\$ 12,555.72
Canadian Collieries (Dunsmuir) Ltd.	122,726.79
Canadian Import Com	16,660.77
Canadian National Railways	444,310.33
Canadian Pacific Railway	587,807.40
Cumberland Ry. & Coal Co. Ltd.	5,339.00
Dominion Coal Co. Ltd.	438,877.33
Essex Terminal Railway	324.01
Maritime Coal Ry. & Power Co. Ltd.	1,397.55
Morrissey Fernie & Michel Ry.	8,591.34
Northern Alberta Ry.	78.66
Sydney & Louisburg Ry.	219,161.38
	<u>\$1,857,830.28</u>

Note: Refunds not deducted.



DISTRIBUTION OF SUBVENTION PAYMENTS  
DURING CALENDAR YEAR 1937

(By Carriers)

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Acadia Coal Co. Ltd.	\$ 15,875.42
	Canadian Import Company	23,235.55
	Canadian National Railways	411,683.19
	Canadian Pacific Railway	331,938.87
	Cumberland Ry. & Coal Co. Ltd.	18,301.49
	Dominion Coal Co. Ltd.	751,728.04
	Maritime Coal Ry. & Power Co. Ltd.	1,362.33
	Sydney & Louisburg Ry.	231,783.94
		<u>\$1,785,908.83</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 1,233.00
	Canadian Pacific Railways	31,132.82
		<u>\$ 32,365.82</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 14,902.19
	Canadian Pacific Railway	24,181.84
		<u>\$ 39,084.03</u>
<u>Alta. &amp; B.C.</u> (Crowsnest)	Canadian National Railways	\$ 31,177.23
	Canadian Pacific Railway	253,395.15
	Morrissey, Fernie & Michel Ry.	3,156.93
		<u>\$ 287,729.31</u>
<u>Alta. to Ont.</u>	Canadian National Railways	\$ 95,870.50
	Canadian Pacific Railway	42,813.99
		<u>\$ 138,684.49</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	<u>\$ 169,650.21</u>

SUMMARY

Acadia Coal Co. Ltd.	\$ 15,875.42
Canadian Collieries (Dunsmuir) Ltd.	169,650.21
Canadian Import Company	23,235.55
Canadian National Railways	554,866.11
Canadian Pacific Railway	683,462.67
Cumberland Ry. & Coal Co. Ltd.	18,301.49
Dominion Coal Co. Ltd.	751,728.04
Maritime Coal Ry. & Power Co.	1,362.33
Morrissey, Fernie & Michel Ry.	3,156.93
Sydney & Louisburg Ry.	231,783.94
	<u>\$2,453,422.69</u>

Note: Refunds not deducted.



DISTRIBUTION OF SUBVENTION PAYMENTS  
DURING CALENDAR YEAR 1936

<u>Province</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>Nova Scotia</u>	Acadia Coal Co. Ltd.	\$ 19,900.10
	Canadian Import Co.	5,845.14
	Canadian National Railways	364,500.48
	Canadian Pacific Railway	229,664.06
	Cumberland Ry. & Coal Co. Ltd.	170.84
	Dominion Coal Co. Ltd.	820,540.97
	Maritime Coal Ry. & Power Co. Ltd.	6,090.80
	Sydney & Louisburg Railway	126,709.70
		<u>\$1,573,422.09</u>
<u>New Brunswick</u>	Canadian National Railways	\$ 1,279.61
	Canadian Pacific Railway	14,034.53
		<u>\$ 15,314.14</u>
<u>Saskatchewan</u>	Canadian National Railways	\$ 15,114.15
	Canadian Pacific Railway	25,056.27
		<u>\$ 40,170.42</u>
<u>Alta. &amp; B.C.</u> <u>(Crowsnest)</u>	Canadian National Railways	\$ 31,903.41
	Canadian Pacific Railway	278,011.25
	Morrissey, Fernie & Michel Ry.	493.82
		<u>\$ 310,408.48</u>
<u>Alta. to Ont.</u>	Canadian National Railways	\$ 121,313.54
	Canadian Pacific Railway	41,762.23
		<u>\$ 163,075.77</u>
<u>B.C. Bunker</u>	Canadian Collieries (Dunsmuir) Ltd.	\$ 113,324.14

SUMMARY

Acadia Coal Co. Ltd.	\$ 19,900.10
Canadian Collieries (Dunsmuir) Ltd.	113,324.14
Canadian Import Co.	5,845.14
Canadian National Railways	534,111.19
Canadian Pacific Railway	588,528.34
Cumberland Ry. & Coal Co. Ltd.	170.84
Dominion Coal Co. Ltd.	820,540.97
Maritime Coal Ry. & Power Co. Ltd.	6,090.80
Morrissey, Fernie & Michel Ry.	493.82
Sydney & Louisburg Railway	126,709.70
	<u>\$2,215,715.04</u>

Note: Refunds received during calendar year  
and not deducted from the above amounted  
to \$5,338.45 (Saskatchewan, Alberta & B.C.  
Crowsnest) other refunds have been deducted.



MR. NEATE: You will note that such carriers as move the coal get the amounts.

BY COMMISSIONER MORRISON: That is why you call them the beneficiaries?

A Yes.

BY THE CHAIRMAN: Turn to 56, that summary at the bottom has more than railroads. Canadian Collieries (Dunsmuir) would be a company on Vancouver Island.

A Those would be payments to both railways and coal distributors.

Q Canadian Import, for example?

A That is a distributor.

BY MR. FRAWLEY: But it is all here as a carrier?

A Oh yes, by carriers or by distributors.

Q No, but this is "Distribution of Subvention Payments (by Carriers)" The Canadian Import Company charters vessels?

A Yes.

BY THE CHAIRMAN: And some of those coal companies have their own little railroads?

A Yes.

Q Now there is just one thing here, that Dominion Coal Company, \$751,000. I presume that is water carrier as distinguished from the Sydney and Louisburg Railway, \$231,000?

A That would probably be vessel movements west of the island of Montreal, where they chartered vessels to move coal from Montreal west to Georgian Bay. They would provide their own vessels; we would pay them.

Q There would be none of that go to the railways that carried their coal from Montreal further west?

A No, I think you would find that the railways would transport on an o.c.s. rate by rail.

MR. NEATE continues brief:



Effect of Subvention on Earnings and Employment

The extent to which subvention assistance is reflected in earnings and employment is set out in the attached tabulation. Most marked is the assistance provided to the coal industry of Nova Scotia, when in the year 1939 no less than 34.3% of the wage earners' pay was by way of subvention. Up until the effect of the war was felt generally throughout the coal mining industry about the end of 1942, the withdrawal of such assistance from Nova Scotia would have meant a reduction of at least 25% in earnings.

Benefits accruing to other provinces by way of subvention assistance fluctuated considerably with the possible exception of the mines on Vancouver Island where the amount of assistance required varied according to the demands made for coal bunkering.

It will be noted that during 1940, due to heavy movements of Alberta and British Columbia Crowsnest Pass coal eastward, a substantial gain was shown in the annual earnings by reason of subvention. Had railway equipment been available and interruptions due to the war not interfered with production this increased movement would undoubtedly have been maintained.

BY MR. FRAWLEY: What do you mean there exactly: "In 1940, due to heavy movements of Alberta and British Columbia Crowsnest Pass coal eastward." Why was it moving eastward?

MR. NEATE: Because they were moving considerable tonnage in to the Head of the Lakes for railway consumption, which increased the western movement considerably, as the table will indicate.

Q But was the movement only due to the subvention that you provided?

A Yes, very definitely. We will take Alberta and British Columbia, including Ontario movement. The subvention jumped up in 1942 to over \$2,000,000 on that movement.

BY COMMISSIONER McLAURIN: Was that Crow's Nest alone?



A That was Alberta and British Columbia Crow's Nest. That takes in everything, but I think the statement is well worth analyzing. It is very difficult to explain in words just what this statement means, and I think it would be better left in the exhibit and given more study by the Commission later on. (Continues brief):



EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENT

NOVA SCOTIA

<u>Year</u>	<u>Total Man-Days Worked Per Year</u>	<u>Total Wages Paid Per Yr.</u>	<u>Av. Tons Raised per Man-Day</u>	<u>Average Wage per Man-Day</u>	<u>Average No. of Wage Earners</u>
1933	2,016,061	\$ 8,667,718	2.261	\$4.30	11,861
1934	2,807,925	12,055,775	2.258	4.29	12,051
1935	2,751,104	12,071,021	2.116	4.39	12,674
1936	2,921,046	13,291,656	2.276	4.55	12,881
1937	3,280,786	15,704,084	2.212	4.79	13,268
1938	2,779,323	13,676,617	2.244	4.92	13,592
1939	3,009,025	14,844,569	2.343	4.93	13,035
1940	3,405,554	16,888,577	2.305	4.96	12,949
1941	3,605,630	18,765,480	2.049	5.20	12,929
1942	3,463,882	19,539,546	2.080	5.64	12,566
1943	3,325,633	23,241,500	1.835	7.00	11,897
1944	3,473,612	27,510,580	1.654	7.92	12,475

<u>Year</u>	<u>Average Days Worked Per Year</u>	<u>Average Earnings Per Year</u>	<u>Amount of Subvention</u>	<u>Amount of Subvention Paid Per Man</u>
1933	170	\$ 732	\$1,280,223	\$ 107.94
1934	233	1,000	1,687,451	140.02
1935	217	952	1,489,412	117.52
1936	227	1,032	1,572,780	122.24
1937	247	1,184	1,785,792	134.59
1938	204	1,006	1,253,313	92.21
1939	231	1,139	2,988,404	229.26
1940	263	1,304	2,643,367	204.15
1941	279	1,451	2,188,365	169.26
1942	276	1,555	2,710,438	215.70
1943	280	1,954	2,310,513	183.87
1944	278	2,205	1,932,799	154.93

<u>Year</u>	<u>Man-Days Work from Subvention</u>	<u>Days Worked Per Man Per Year from Sub.</u>	<u>Average Earnings Per Man Per Year From Sub.</u>	<u>Per Cent of Annual Earnings Due to Subvention</u>
1933	612,238	52	\$ 222.03	30.3
1934	774,138	65	275.64	27.6
1935	750,615	59	259.71	27.3
1936	736,861	57	260.30	25.2
1937	862,939	65	311.43	26.3
1938	613,388	45	222.14	22.1
1939	1,033,160	79	391.02	34.3
1940	841,896	65	322.40	24.7
1941	983,811	76	395.92	27.3
1942	795,800	63	357.25	23.0
1943	438,088	37	257.38	13.2
1944	482,623	39	305.90	13.9

Data for 1944 based on preliminary figures and subject to revision



## EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENT

## NEW BRUNSWICK

Year	Total Man-Days Worked Per Year	Total Wages Paid Per Yr.	Av. Tons Raised per Man-Day	Average Wage Per Man-Day	Average No. of Wage Earners
1933	256,208	\$ 861,408	1.219	\$3.36	1,025
1934	237,184	678,844	1.327	2.86	1,035
1935	264,929	729,600	1.306	2.75	1,136
1936	268,857	768,025	1.371	2.86	1,158
1937	256,677	756,883	1.421	2.95	1,050
1938	235,392	742,884	1.454	3.16	1,120
1939	330,478	1,005,509	1.417	3.04	1,284
1940	385,677	1,223,177	1.418	3.17	1,406
1941	352,661	1,251,207	1.484	3.55	1,322
1942	270,972	1,143,562	1.606	4.22	1,033
1943	251,928	1,150,857	1.480	4.57	964
1944	235,459	1,283,717	1.466	5.45	923

Year	Average Days Worked Per Year	Average Earnings Per Year	Amount of Subvention	Amount of Sub. Paid Per Man
1933	250	\$ 840	\$ 981	\$ 0.96
1934	229	655	8,609	8.32
1935	231	643	10,544	9.28
1936	232	663	15,314	13.93
1937	244	721	32,363	30.82
1938	210	663	23,456	20.94
1939	257	783	45,664	35.56
1940	274	870	42,386	30.15
1941	267	946	31,226	23.62
1942	262	1,107	5,202	5.04
1943	261	1,194	4,293	4.45
1944	255	1,391	1,623	1.76

Year	Man-Days Work from Subvention	Days Worked Per Man Per Year From Sub.	Average Earnings Per Man Per Year From Sub.	Per cent of Annual Earnings Due to Subvention
1933	954	1	3.13	% 0.4
1934	7,684	7	21.22	3.2
1935	10,968	8	26.62	4.1
1936	15,236	13	37.57	5.8
1937	28,911	27	81.22	11.3
1938	22,218	20	62.61	9.4
1939	38,225	29	90.54	11.4
1940	41,766	29	94.18	10.8
1941	29,503	22	79.14	8.4
1942	4,126	4	16.86	15.2
1943	3,559	4	16.87	14.1
1944	1,440	2	8.55	6.1

Data for 1944 based on preliminary figures and subject to revision



EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENT

SASKATCHEWAN

<u>Year</u>	<u>Total Man-Days Worked Per Year</u>	<u>Total Wages Paid Per Yr.</u>	<u>Av. Tons Raised Per Man-Day</u>	<u>Average Wage Per Man-Day</u>	<u>Average No. of Wage Earners</u>
1933	192,043	\$ 578,215	4.830	\$ 3.01	891
1934	177,629	546,177	5.119	3.07	882
1935	167,763	519,202	5.495	3.09	813
1936	195,136	600,197	5.231	3.08	847
1937	200,757	602,865	5.227	3.00	874
1938	194,993	610,475	5.242	3.13	841
1939	164,013	533,625	5.853	3.25	667
1940	152,399	542,338	7.202	3.56	649
1941	158,481	664,447	8.347	4.19	613
1942	165,431	729,066	7.865	4.41	592
1943	200,468	967,902	8.310	4.83	723
1944	158,493	879,941	8.658	5.55	653

<u>Year</u>	<u>Average Days Worked Per Year</u>	<u>Average Earnings Per Year</u>	<u>Amount of Subvention</u>	<u>Amount of Sub. Paid Per Man</u>
1933	216	\$ 649	\$ 54,085	\$ 60.70
1934	201	618	42,129	47.77
1935	206	639	32,252	39.67
1936	230	709	38,136	47.43
1937	230	690	38,032	43.51
1938	232	726	33,760	40.14
1939	246	800	37,592	56.36
1940	235	836	25,949	39.98
1941	259	1,084	21,840	35.63
1942	279	1,232	13,144	22.20
1943	277	1,339	10,535	14.57
1944	243	1,348	15,377	23.55

<u>Year</u>	<u>Man-Days Work From Subvention</u>	<u>Days Worked Per Man Per Year From Sub.</u>	<u>Average Earnings Per Man Per Year From Sub.</u>	<u>Per cent of Annual Earnings Due to Subvention</u>
1933	27,115	31	\$ 91.51	14.1
1934	28,175	32	98.26	15.9
1935	25,220	31	96.07	15.0
1936	28,081	33	102.03	14.4
1937	31,370	36	107.78	15.6
1938	27,779	33	103.40	14.3
1939	27,224	41	132.78	16.6
1940	5,728	9	31.41	3.8
1941	2,717	4	18.58	1.7
1942	1,735	3	12.92	1.0
1943	1,319	2	8.81	.7
1944	1,851	3	15.68	1.2

Data for 1944 based on preliminary figures and subject to revision



EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENTALBERTA AND B. C. CROWSNEST  
(Includes Ontario & B.C. Movement)

<u>Year</u>	<u>Total Man-Days Worked Per Year</u>	<u>Total Wages Paid Per Yr.</u>	<u>Av. Tons Raised per Man-Day</u>	<u>Average Wage per Man-Day</u>	<u>Average No. of Wage Earners</u>
1933	1,558,119	\$ 7,607,031	3.354	\$ 4.88	8,683
1934	1,595,651	7,801,058	3.403	4.89	8,584
1935	1,693,681	8,512,886	3.495	5.03	8,214
1936	1,807,773	9,170,340	3.436	5.07	8,625
1937	1,738,835	9,130,389	3.484	5.25	8,386
1938	1,623,094	8,627,282	3.533	5.32	7,989
1939	1,681,253	9,155,883	3.657	5.45	8,020
1940	1,854,068	10,293,719	3.815	5.55	8,059
1941	2,113,739	12,623,611	3.841	5.97	8,428
1942	2,380,337	15,188,012	3.751	6.38	8,931
1943	2,421,870	16,294,983	3.599	6.73	9,456
1944	2,309,897	17,888,673	3.745	7.74	9,455

<u>Year</u>	<u>Average Days Worked Per Year</u>	<u>Average Earnings Per Year</u>	<u>Amount of Subvention</u>	<u>Amount of Sub. Paid Per Man</u>
1933	180	\$ 876	\$ 364,590	\$ 41.99
1934	186	910	453,323	52.81
1935	206	1,036	458,918	55.87
1936	210	1,063	470,181	54.42
1937	207	1,089	423,752	50.53
1938	203	1,080	418,036	52.33
1939	210	1,142	809,656	100.95
1940	230	1,277	1,420,714	176.29
1941	251	1,498	2,173,773	257.92
1942	267	1,701	1,587,546	177.76
1943	256	1,723	174,511	18.46
1944	244	1,892	140,629	14.87

<u>Year</u>	<u>Man-Days Work from Subvention</u>	<u>Days Worked Per Man Per Year From Sub.</u>	<u>Average Earnings Per Man Per Year From Sub.</u>	<u>Per cent of Annual Earnings Due to Subvention</u>
1933	77,440	9	\$ 43.58	5.0
1934	94,994	11	54.17	6.0
1935	96,931	12	59.28	5.7
1936	106,688	12	61.57	5.8
1937	93,223	11	58.21	5.3
1938	91,556	11	60.80	5.6
1939	145,852	18	98.12	8.6
1940	193,975	24	113.59	8.9
1941	296,271	35	209.96	14.0
1942	235,702	26	168.46	9.9
1943	63,199	7	44.97	2.6
1944	47,993	5	39.36	2.1

Data for 1944 based on preliminary figures and subject to revision



EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENTBRITISH COLUMBIA (ISLAND)

<u>Year</u>	<u>Total Man-Days Worked Per Year</u>	<u>Total Wages Paid Per Yr.</u>	<u>Av. Tons Raised Per Man-Day</u>	<u>Average Wage Per Man-Day</u>	<u>Average No. of Wage Earners</u>
1933	379,110	\$ 1,696,290	1.809	\$ 4.47	1,850
1934	353,117	1,542,675	1.820	4.37	1,637
1935	401,433	1,749,629	1.755	4.36	1,558
1936	454,841	2,043,606	1.741	4.49	1,643
1937	515,462	2,355,378	1.772	4.57	1,901
1938	417,625	1,870,123	1.776	4.48	1,810
1939	454,008	2,180,661	1.836	4.80	1,763
1940	458,162	2,080,170	1.792	4.54	1,753
1941	359,860	1,721,918	2.016	4.78	1,440
1942	396,048	1,991,200	2.088	5.03	1,377
1943	385,061	2,185,140	2.125	5.67	1,466
1944	380,668	2,438,505	2.035	6.41	1,442

<u>Year</u>	<u>Average Days Worked Per Year</u>	<u>Average Earnings Per Year</u>	<u>Amount of Subvention</u>	<u>Amount of Sub. Paid Per Man</u>
1933	205	\$ 917	\$ 35,529	\$ 19.20
1934	216	942	46,591	28.46
1935	258	1,123	67,261	43.17
1936	277	1,244	113,324	69.02
1937	271	1,239	169,650	89.24
1938	231	1,033	122,727	67.80
1939	258	1,237	211,083	114.06
1940	262	1,187	183,174	104.55
1941	250	1,196	74,026	51.41
1942	288	1,446	104,051	75.56
1943	363	1,491	33,232	22.67
1944	264	1,691	26,205	18.17

<u>Year</u>	<u>Man-Days Work From Subvention</u>	<u>Days Worked Per Man Per Year From Sub.</u>	<u>Average Earnings Per Man Per Year From Sub.</u>	<u>Per cent of Annual Earnings Due to Subvention</u>
1933	43,993	24	106.37	11.6
1934	54,076	33	144.13	15.3
1935	58,401	38	163.32	14.5
1936	82,323	50	225.11	18.1
1937	112,669	59	270.87	21.9
1938	85,994	48	212.79	20.6
1939	131,308	75	357.72	28.9
1940	126,801	73	328.51	27.7
1941	48,959	34	162.68	13.6
1942	66,443	48	242.63	16.8
1943	20,851	14	80.74	5.4
1944	17,170	12	76.28	4.5

Data for 1944 based on preliminary figures and subject to revision



EFFECT OF SUBVENTION ON EARNINGS AND EMPLOYMENTC A N A D A

<u>Year</u>	<u>Total Man-Days Worked Per Year</u>	<u>Total Wages Paid Per Yr.</u>	<u>Av. Tons Raised Per Man-Day</u>	<u>Average Wage Per Man-Day</u>	<u>Average No. of Wage Earners</u>
1933	4,511,345	\$ 19,901,321	2.639	\$ 4.41	24,812
1934	5,270,076	23,082,986	2.620	4.38	24,671
1935	5,382,520	24,028,618	2.580	4.47	24,831
1936	5,756,915	26,331,682	2.645	4.57	25,597
1937	6,095,320	29,006,361	2.598	4.76	25,890
1938	5,349,493	25,977,215	2.672	4.86	25,767
1939	5,738,695	28,184,519	2.735	4.91	25,200
1940	6,330,384	31,354,543	2.775	4.95	25,128
1941	6,653,615	35,305,549	2.739	5.31	24,980
1942	6,749,572	38,949,538	2.795	5.77	24,763
1943	6,679,556	44,427,539	2.674	6.66	24,866
1944	6,617,067	50,379,974	2.573	7.61	25,182

<u>Year</u>	<u>Average Days Worked Per Year</u>	<u>Average Earnings Per Year</u>	<u>Amount of Subvention</u>	<u>Amount of Sub. Paid Per Man</u>
1933	182	\$ 802	\$ 1,735,407	\$ 69.94
1934	214	935	2,238,103	90.72
1935	216	968	2,058,388	82.90
1936	225	1,029	2,209,735	86.70
1937	235	1,120	2,449,588	94.62
1938	208	1,008	1,851,292	71.85
1939	228	1,118	4,092,399	162.40
1940	252	1,248	4,315,590	171.73
1941	266	1,413	4,489,229	179.71
1942	272	1,573	4,420,380	178.51
1943	269	1,761	2,533,084	101.87
1944	263	2,026	2,116,632	84.05

<u>Year</u>	<u>Man-Days Work from Subvention</u>	<u>Days Worked Per Man Per Year From Sub.</u>	<u>Average Earnings Per Man Per Year From Sub.</u>	<u>Per cent of Annual Earnings Due to Subvention</u>
1933	761,836	31	\$ 125.03	15.5
1934	959,061	39	157.35	16.8
1935	942,047	37	152.12	15.7
1936	969,189	38	158.92	15.4
1937	1,129,112	43	186.53	16.7
1938	841,235	33	143.21	14.2
1939	1,375,769	55	242.48	21.7
1940	1,210,166	48	213.72	17.1
1941	1,361,261	54	257.31	18.2
1942	1,103,806	45	224.99	14.3
1943	527,016	21	109.25	6.1
1944	551,077	22	121.18	6.1

Data for 1944 based on preliminary figures and subject to revision

Coal Administrator's Office,  
Revised August 1, 1945.



Subventions in Relation to Freight Rates

The various methods employed in providing assistance to movements of coal could no doubt be consolidated by providing a standard mill rate per ton per mile on all coal traffic and if such a rate was below the cost of haulage, not necessarily below the tariff rate in effect, then reimburse the railways annually by way of a grant.

In some instances the subvention is based upon the laid down cost of Canadian coal and United States coal which would otherwise be used and it so happens that at one point Canadian coal is moved at a rate of six mills per ton per mile yet to another point the mill rate may reach 40 mills. It is fully realized that in short haul or non-competitive traffic the rate is considerably higher but it also places a heavier burden on the taxpayer of Canada when such higher rates are subsidized by the Federal Treasury.

This same anomaly occurs where assistance is provided upon the basis of a percentage reduction of the freight rate in effect at the time of shipment; naturally a high mill rate per mile would carry a higher subvention and as long as assistance is provided by government on these movements there is little or no incentive on the part of the shippers to seek relief.

On a flat rate basis such as the \$2.50 per ton assistance on movements of Alberta coal to Ontario or where assistance is provided on a mill per ton mile, the question does not arise, but for uniformity and greater ease in the administration of such assistance consideration might be given to the establishing by the railways of a flat mill rate per ton per mile sufficiently low to permit movement of Canadian coal into such areas as may be designated competitive with imported coal.

The Montreal westward rail movement of Canadian coal is



a good example of the variation referred to:

<u>From Montreal</u>		<u>Rate</u>	<u>Per Ton Mile</u>
To Toronto	334 miles	\$1.50	4.5 m.
To Cobourg	264 "	1.70	6.4 m.
To Peterboro	265 "	1.90	7.2 m.
To Belleville	221 "	1.45	6.5 m.
To Pembroke	203 "	2.30	11.3 m.
To Kingston	173 "	1.50	8.9 m.
To Ottawa	116 "	1.10	9.5 m.

Here we find it costs 11.3 mills per ton mile to haul Canadian coal to Pembroke yet to move the same coal an additional 131 miles to Toronto the mill rate is 4.5.

No criticism is intended as to the general freight rates on coal but from the standpoint of subventions uniformity of these rates would be a blessing.

BY MR. FRAWLEY: Of course you know why the rate to Toronto is only 4.5 mills? It is to meet water competition?

A Quite so.

Q Whereas going to Pembroke they earn 11.3 because there is nothing competitive there?

A Take what the traffic will bear. That's all right providing the taxpayer of this country doesn't pay for it in subventions.

Q Suppose we agree with you 100 per cent, it would be pretty hard for the railways to get any more than 4.5 mills to Toronto, because the barges keep them down.

A As I say, I have no criticism, but I want to draw the Commission's attention to those anomalies.

BY COMMISSIONER MORRISON: In that document you put in the record at noon I take it Mr. Neate didn't set himself up as a freight expert.

MR. NEATE: I am anything but a freight expert.

4.00 P.M. - COMMISSION ADJOURNED UNTIL TUESDAY,  
OCTOBER 23rd, at 10.00 A.M.







A.R.  
C.XVII

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